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China's Proletarian "Universities"

By Wyndham Newton

Throughout the larger centres in the Chinese countryside new socalled "universities" are being set up, in which ordinary, non-academic personalities are the "professors," which combine work in the farms and factories with study, and seek to unify theory and practice in the most practical way and to develop expert knowledge of all local activities and lore as distinct from the universal pursuits of the normal academic universities.

Many years ago, when the Soviet Revolution was approaching the stage which China attained 32 years later, the writer travelled from London to Leningrad en route to his post in China via Siberia. Aboard the ship from London were a professor of the old school and a tough young student of the 'Rabfak" University—the new proletarian universities set up by the Bolsheviki—at which the professor himself was teaching. The scorn with which he spoke both of the quality of these institutions and of their products is an abiding memory. Yet in the end many of these did achieve their purpose, thanks largely to the iron discipline and insistence on hard work which became their chief characteristics later on. China herself has recently established institutions with the awkward title of "Red and Expert Universities," whose curriculum is designed both to make the students good Communists and experts in some practical line or other.

The approach is proletarian through and through. The long-established universities are looked at askance as strongholds of the bourgeoisie and as awe-inspiring edifices where deep and high things were studied beyond the ken of the *hoi polloi*. Now, it is claimed, "the cloud that blocked our view is dispersed by the practice of the working people" (i.e., the Party), which set up socalled "highest institutes of learning" of diverse forms in the county, the hsiang (rural district) and in agricultural co-operatives and factories. "People who have never attended school for more than a few years (and primary schools at that) become presidents and professors; and workers and peasants, who were a little afraid of going to universities, become students of these institutes." They are work-and-study institutes. The innovation has aroused very mixed feelings among the rural population. Some of the masses warmly welcome it, but many others have grave doubts about them and sharply criticise some of these red-and-expert universities and the spare-time institutes recently created. They insist that these institutes in which the curricula correspond solely to the practical needs of production will damage the systematic character of scientific knowledge and hinder the development of science. Moreover, they lack both teachers and facilities and could never be regarded as regular universities, nor could graduates claim to be university graduates in the strict sense of the term. They may meet temporary needs, but cannot be regarded as a long-range plan and cannot be called universities.

The view is roundly challenged by the organ of the Communist Youth, *China Youth*, which asserts that they are "great undertakings initiated by the working people" to satisfy their urgent need for mastering technology and culture in this new period of revolution. These schools set up curricula and draw up teaching methods and systems according to production needs, in accordance with the fundamental principle laid down of co-ordination between education and labour. They will train large numbers of socialist-minded and "cultured" labourers to develop morally, intellectually, and physically, and only thus can the door be opened to workers and peasants. "Too many people assume that the systematic character of scientific knowledge means the use of big volumes of textbooks and lectures prepared by professors, the recitation of ancient, modern, Chinese and foreign literature, the introduction of conclusions drawn by celebrated authority, and the teaching of theoretical systems logically analysed. As to whether such book knowledge and data can really explain and resolve problems of practical production and struggle, they are not interested. Take the knowledge about wheat for example. Certain professors might be able to expound with eloquence Chinese, foreign, ancient and modern theoretical knowledge about wheat, but the conclusion they arrive at is that the per mow yield of wheat cannot exceed 1,000 catties. When the peasants set up a record of more than 4,000 catties of wheat per mow, some 'specialists' said that it could not be theoretically interpreted. Such systematic theoretical knowledge is actually a mass of data and records divorced from practice," declares the China Youth writer. "The red and expert universities establish their own systematic character. They systematically teach how to select seeds, plough the land, apply fertiliser and intensify field work so as to increase the wheat yield on the data they laid down when they increased the yield to 4,000 catties. Such knowledge is really the scientific knowledge we need."

The *China Youth* refers with scorn to those who think that a regular university must have "nice-looking classrooms, complete sets of equipment and apparatus, a library containing numerous books, Western-trained old professors, and multifarious departments and curricula, teach for six days a week and run a five-year course," and says the new and old types of university will co-exist for a long time; in fact, if there are no big buildings education can be conducted just the same. The real argument is begged: it is that these institutes should never have been called universities for they have neither the academic pretensions nor any of the attributes normally regarded as belonging to a university, the root of whose title speaks of the universality it typifies. Indeed these are merely specialised agricultural or vocational schools, ranking below the normal because the type of instruction they offer is inexperienced, and rigidly limited to the needs of the immediate neighbourhood and the crops grown therein. No doubt they have their value in their locality. In the rice lands they will help to develop more technically qualified farming folk at a time when the primitive practices of old are quite out-moded and inadequate, but they are at the extreme end of the scale in universal values. They are in truth temporary schools which may later on be expanded into technical and vocational institutes with a trained staff and a wider programme which will take the place of the "Red" schedule which again is a temporary device to overcome the natural tendencies of the former which are by no means socialistic. There are obscure motives and psychological reasons for styling these schools universities few of which have any rational validity but are rooted rather in class instinct. The party leaders do indeed admit the validity of the criticism that these red and expert universities and spare-time institutes are designed for immediate needs and instant benefits, to serve production and the socialist cause. But they go on to contend that they have an objective that is long-term, like the unity of production with education. And this, it is suggested, is the major issue at stake.

When the Communists speak of the technological revolution most farming folk at once think of large industries and a large output of tractors and similar vehicles, like the First Automobile Plant and the Loyang Tractor Plant. Only technological inventions, say the critics, can be counted as technological revolution: technical reforms and technical study should be excluded. Against this it is argued the China cannot afford to ignore the little-by-little improvements, while the cry can be heard from the countryside: "Don't wait for foreign-made machines. Make them as plants at home." The technological process is generally a process from quantitative changes to qualitative changes, from incessant improvements to a revolutionary leap. Technical inventions and major creations do not drop from heaven, says Huang Hsien in the *Hsueh Hsi*, but result from the accumulation of minor improvements. Besides, it is essential to train the whole populace in these techniques. Technological revolution is a union of the major technical inventions with technical creations and daily improvements.

The liberation-type water wheel now in mass production has been in existence for eight years. In Honan alone there are 600,000 of them in use. During the present leap forward the peasants made an improvement in the machine, changing its operation from circular revolving to an oscillating swing. "As a result its efficiency was increased five times. The parts taken down are fitted into the grindstone and increases the latter's efficiency eight to tenfold. Upon the completion of the remodelling of the 600,000 water wheels now in use in Honan province, the labour force so saved would amount to about 100 million man-days a year. If the 250,000 water wheels of the liberation type scheduled to be produced this year are remodelled after the new type a saving of 25,000 tons of pig-iron may be effected." It is argued that the serious stumbling-blocks which prevent all the active factors being brought into play and the full development of technology are the following: The mystification of sciences and technology which are considered beyond the masses; the superstitious adherence to traditional technique to the extent that whatsoever attempts to change it is called "a man who goes astray;" superstitious faith in experts and foreigners, believing that 'monks from a distant land know better how to chant a liturgy' and the resultant doctrinairism, empiricism, under-estimation of oneself and inferiority complex.

In short, the much-vaunted techological revolution consists for the present in making every man not merely a militiaman but also a mechanic. That has its value in the vast Chinese countryside into whose life the machine has only begun to enter and in vast ranges of which a motor-car has never even been seen. But the proletarian pride which named these vocational schools universities is the sort that precedes a fall, unless either the title becomes less grandiose or the curricula be enlarged.

Special Problems of Fisheries in Poor Countries*

By Professor E. S. Kirby and E. F. Szczepanik

(Department of Economics & Political Science, Hongkong University)

PART I

Though the experience and study of the authors, and instances in the following lines, are largely drawn from the region of Asia and the Far East, reference in this paper is broadly to all the "poor" countries. Our aim is to draw attention to the significant differences between such countries and those which are economically more advanced at the present day, in respect of fishery; to identify some at least of the special features and difficulties which distinguish the case of the less advanced countries, and attempt some analysis of the conditions of a solution.

The Meaning of The Term "Poor Countries"

By "poor" countries we mean those which it was formerly fashionable to call "backward", but which are nowadays more frequently referred to as "underdeveloped". It is necessary to note that none of these three epithets is altogether satisfactory, or altogether welcome, in this day and age.

The designations "poor" or "backward" tend to be resented to some extent; most of the communities concerned will acknowledge them only in a limited economic sense, believing themselves to be not inferior in the cultural, social or non-material aspects of life. It must therefore be strongly warned at the outset that quite different value-judgments are broadly involved, in the field of study now in question. These communities, in a different state of evolution, are indeed faced with problems of "scarce means"; but may have "given ends" quite different from those of our advanced societies.

The expression "underdeveloped" is a purely relative term, and can technically be applied to practically every country in the world, resource-utilization being everywhere below the maximal or the optimal. It is however true that, in comparison with economically "developed" countries, there is usually in "underdeveloped" economies a far larger and more chronic gap between the actual and optimal output.[1] As a result, they remain "poor" in the sense of a low level of national income per head. In addition to this basic feature, many other criteria of underdevelopment can easily be listed.[2]

W. W. Rostow has recently stressed[3] the importance of the phase in economic development—previously termed the stage when development becomes "self-generating"—which he calls the "take-off". Of all the Asian countries, he finds that only India and China are in the "take-off"-attempting stage at present (though Japan has been airborne for some time). Hongkong might perhaps also be considered as in the "take-off" situation; its post-war industrialization has been swift and effective, and about 30 per cent of the exports of Hongkong (which has a volume of shipping equal to Liverpool or Antwerp) are now of local manufacture. Moreover, the rate of capital accumulation in Hongkong has reached the crucial level of about 10 per cent of national income.[4] According to Rostow, a transition from relatively stagnant to substantial, regular rise in net national product per capita, under typical population conditions, requires that the proportion of national product productively invested move from somewhere in the vicinity of 5 per cent to something in the vicinity of 10 per cent.[5] Apart from the exceptions mentioned above, the remaining Asian countries are "pre-take-off" economies, where the savings and investment rates probably come to under 5 per cent of net national product. Whether the take-off period in India and China will, in fact, be successful remains still to be seen.

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* A paper by the two authors read before the International Economic Association, Rome, sponsored by the Food and Agriculture Organisation of the United Nations.

[1] See E. F. Szczepanik, "The Elements of the Theory of Growth Acceleration", *Economics and Finance in Indonesia*, Vol. VII, no. 8, 1954.

[2] See E. S. Kirby, "General Criteria of Economic Development" and "Analytical Criteria of Economic Development", *Far Eastern Economic Review*, Vol. XVII, 1954.

[3] W. W. Rostow, "The Take-off into Self-Sustained Growth", *Economic Journal*, March 1956.

[4] See R. A. Ma and E. F. Szczepanik, *The National Income of Hongkong*, Hongkong University Press, 1955.

[5] W. W. Rostow, op.cit., p.34.

To summarize, "poor", "backward" and "underdeveloped" (or undeveloped) are key-words in the analysis of problems of fisheries in the countries with which we are concerned in this paper. Poverty is the most basic handicap of the countries or regions concerned. They suffer from a fundamental scarcity of almost all factors of production: capital, enterprise and skilled labour; or, in respect of such factors as are relatively plentiful (e.g. unskilled labour or fishery resources), they are situationally unable to apply them immediately to productive use. The aspect of underdevelopment is equally stressed—and necessarily in the same conjunction. These countries are simultaneously aware of the need for development, of the potential for it, and of their poverty as a barrier to it. But for our considerations, the aspect of "backwardness" is still most significant, since the primary-producing communities concerned are usually of the most primitive, isolated, autarchic or rusticated types.

Fishery and The Problem of Economic Growth

In many poor countries the whole problem of economic development can be reduced to the question of how to secure food for the population. The bulk of the population in these countries is either starving or—at best—undernourished.[6]

Lack of animal protein is often the main cause of malnutrition in poor countries, as is shown by following statistics:

Daily per capita Intake of Animal Protein and Protein from Fish in 1952/53

Country	Animal protein	Protein from fish	Percentage of animal protein intake contributed by fish
	(grams per day)		(%)
Norway	53.0	9.8	18
France	43.0	3.0	7
Chile	26.5	4.7	18
Japan	12.9	9.9	77
Ceylon	10.9	7.9	72
Pakistan	10.3	0.4	4
Philippines	9.6	4.0	42
India	5.6	0.4	7

Source: FAO: *Problems of Fishery Expansion* (Paper No. 55/6/3683), prepared by FAO for Regional Consultation on the Selective Expansion of Agricultural Production and Consumption, Ceylon, 20-25 June 1955.

The table clearly indicates that substantial improvement of nutritional standards could be achieved through increasing fish consumption. The case of India is perhaps the most characteristic. If India raised the consumption of fish to the level of Japan or Norway her standard of nutrition would be three times better.

A humanitarian policy of economic development in poor countries calls for a rapid increase in the output of staple food commodities. In many instances, little can be done in this respect; and therefore the development of appropriate substitutes becomes imperative. Fish is perhaps the most adequate substitute that can be obtained. It appears that the possibility of planned development of the fishing industry in poor countries has hitherto been generally neglected. We should like to note, however, that in the Soviet Union the period of planned economic development from 1928 onwards has been characterized by the introduction, often compulsorily, of fish as a staple component of the normal diet. We feel that this possibility now deserves more serious attention in poor countries. For the developed countries this would mean the financing of ship- and boat-building, the development of storage and canning facilities in poor countries, of ports, of navigation on inland waterways, and thus the handling of water-conservancy projects, etc. In the past, railway booms often acted as generators of economic development. It is possible that in poor countries a similar role could now be performed by the development of fishing and waterborne transport.

As far as we know, this problem has never been seriously studied as a major economic proposition, although some aspects of it have received the attention of scientists. From the point of view of economic growth, the following specific aspects of fishery production deserve attention:[7]

(i) Fishery can be regarded as a powerful income-generator because it stimulates the growth of a very large number of subsidiary industries, such as boat- and ship-building and repairing, fishing gear production, ice manufacture; cold storage, transport, etc. In some countries fishery has contributed to the development of several new industries, such as those connected with artificial fibres or electronics. In the Far East, Japan provides the best illustration of this thesis.

(ii) The expansion of fishery production is a good instance of a "balanced development" programme. It results in a rapid increase in the output of consumers' goods. Fishery development, therefore, may even be a suitable target of an inflationary policy. In terms of W. A. Lewis's analysis,[8] the first stage of such a policy could be relatively short and mild because growing output may check the rise in prices.

(iii) Entry limitations in fishery are almost negligible. This is due not only to a comparatively small necessary minimum of fixed and working capital, but also to the conditions of ownership of natural resources. In contrast to agriculture, where almost everywhere land is privately owned, nothing of this kind exists in fishery. With the exception of some inland-water fisheries, the only limitations imposed on the process of exploitation of fishery resources are government licences, and their use is a matter of policy. Thus fisheries are much more communal property than is any other natural resource. It is because of this lack of ownership that the poorest sections of the community in many areas all over the world have drifted into fishing.

(iv) Apart from providing employment and at least subsistence earnings, fishery development in poor countries is often a partial solution for housing shortage. "Pescatorization" implies therefore not only an occupational shift, but also a geographical transfer of labour away from land and towards the sea. Fishing boats in poor countries are at the same time workshops and homes for entire families. Thus capital directed towards fishery development can simultaneously achieve two purposes. This point is of particular importance for underdeveloped economies which are characterized by high population pressure.

To sum up, the theoretical advantages are fairly obvious; fishery development provides a solution of food (and often housing) problems, it opens the way for numerous labour-absorbing industries, it should produce multiplier and accelerator effects without the fear of imminent bottlenecks. In many poor countries fishing has an old-established tradition; this too is an important factor. What must be changed is the technique, the extent of the market, both internal and external, and the development of numerous secondary industries connected with fishing. If models are required, the pattern should be that of Norway or Portugal rather than of England. But in general the fact that economics as a science has developed so much in advanced Western countries causes many economists to be inclined to solve the economic problems of other countries in terms of models and theoretical structures applicable only to Great Britain or to countries which followed a similar path of development. In fact, we urgently need both new tools of analysis and further historical analogies, to make economics a universally applicable science.

General Analysis of Handicaps in Fishery Development

Having stated the case for fishery as a potential generator of an overall economic take-off, let us now consider the question why such a course of development has not taken place in the countries with which we are concerned.

Before much progress can be made in the study of this problem, there will have to be greater clarity as to the role played by the following factors: How far is the absence of fishery development due to actual deficiency of the basic resources? How far to ignorance or under-estimation? How far to lack of capital? How far to organizational weakness?

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[6] According to R. I. Crane, *Aspects of Economic Development in South Asia*, Institute of Pacific Relations, New York 1954, p.1, in India the bulk of the population gets less than 15 ounces of food per day.

[7] An outline of the analysis which follows was presented originally by E. F. Szczepanik in "Economic Analysis of Fishery in the Far East", *Far Eastern Economic Review*, Vol. XIX, 1955.

[8] W. A. Lewis, *The Theory of Economic Growth*, 1955.

Identification of Resources

Theoretically, in order to have the physical conditions for fishery development, the basic resource, the fish stocks in the sea or in the inland waters, must be absolutely large. This condition, on the whole, exists everywhere. "The potential fisheries resources of the Non-Self-Governing Territories (all over the world) are great. The West African territories, for instance, are bordered by a continental shelf that forms a potential fishing area of over 250,000 square kilometres. The Pacific and Indian Oceans also offer great possibilities for development. Secondly, the yield of natural inland fisheries can be obtained by means of fish farming on land which is unsuitable for other cultivation."[9] The above applies generally to almost all poor countries.

Relative, however, to the very large and growing population of these areas—much more than half the human race —the resources may not be so large as to give grounds for unrestrained optimism. The fact is that the world's fish stocks —like basic resources of many other types—are still largely unproven. For instance, "it has yet to be proved that large-scale, highly capitalized fishing will pay in tropical waters generally. It seems that, in tropical waters, fish are seldom to be found in such concentrations that a fishing enterprise with high daily expenses can take enough fish daily to cover expenses and make a reasonable profit. There have been rare exceptions to this general rule: tuna fishing by the United States and Japan in Western and Eastern Pacific waters and trawling by Ceylon off the Southern tip of India have proved successful, but on the other hand there have been not a few failures in such enterprises."[10]

It therefore appears that in many cases the physical, i.e. geographical and biological, possibility of large-scale utilization and development of fishery resources must be examined. In this respect, as in so many other development activities in the poor countries, a very large part of work and initiative must fall to governments and to international agencies. This is not easy. The first task must really be to undertake a major drive, in education and publicity, to arouse consciousness of these problems, and bring them into focus in the public thinking. A factual and objective assessment of the basic resources is the fundamental prerequisite; until this is made, expectations regarding any great extension and improvement of fishery must be tempered with due caution.

Ignorance and Lack of Capital

Identification of the main reasons for the present underdevelopment of the existing and proved fishery resources, and the way in which they are interconnected, is the next step. The list of these reasons may be drawn up, for example, as follows, and publicity given to the ways in which each deficiency can be remedied.[11]

Equipment and knowledge are deficient: there is lack of adequate boats, lack of mechanical power to operate boats and fishing gear, lack of knowledge about the fishing grounds, their location and quality, and of efficient methods of catching fish.

Further there is lack of knowledge of the best methods of handling, keeping, processing and distributing the product. Fishermen are largely restricted to nearby fishing grounds. They depend on the uncertainties of the weather and also of the market. At some times there is a glut of fish, and at others a shortage. The fishermen operate on very narrow margins, without much incentive to improve their operation of the industry. The lack of large and stable demand for their products is commonly recognized.

Insufficiency of demand for fisheries products is indeed due in some part to lack of purchasing power among the population of poor countries. It is due in at least equal (if not larger) part, however, to prejudices or irrational preferences for or against certain types of fish products, or forms of preparation or preservation; also to lack of appreciation of the nutritive value of aquatic products; or simply to lack of availability, owing to which no market has ever been created in some areas. The potential demand could thus be enormously extended by educational policies and some direct encouragement to new developments in consumers' habits.

F.A.O.'s general recommendations are that fisheries policies and plans in this respect must be integrated and co-ordinated with the general development policies and plans of governments and authorities, central and local. But there is a special warning that much of the investment and effort must appear "indirect", from the point of view of the "orthodox" or penny-watching habit of mind of smaller governments, colonial services, etc., since, in such fields as this, research work, "academic" investigations or experimental "projects" are of particular importance.[12]

Organizational Weakness

Further hindrances to development are connected with inadequate organization. It should be noted that efficient organization of the industry, especially on the distribution side, is hindered in many places by the existence of monopolistic structures, highly rigid channels of trade and transport, and other customary or accepted restrictions. Such general obstacles and the lack of facilities which would secure external economies (common services such as research and information, testing of quality, provision of major marketing facilities and the like), mean that only governments and local authorities can undertake the work of improvement on a sufficiently wide and systematic basis.

Regrettably, insufficient attention is being paid to the industry and insufficient information is available, even on the higher planes of these societies. The statistical situation is far from satisfactory. On the general planning level, not enough attention is drawn, in non-specialist publications, to problems of fisheries. The latter are far from having their due place and from being properly co-ordinated in general policy and planning. Even the United Nations—apart from the specialized work under the F.A.O.—may be somewhat to blame in this respect: for example, fisheries received some attention in the ECAFE Surveys between 1947 and 1951, but subsequently there is scarcely any reference in this series to fisheries problems or progress.

Meanwhile, in some countries at any rate, the government fishery organizations and services are also weak, inadequately staffed, inexperienced or underequipped. There is great room for them to learn. Study courses or conferences for pooling experience, such as the Fishery Statistics Course held in Bangkok in 1952, or the Fish Marketing Training Centre held in Hongkong in 1954, the Fish Culture Training Centre in Indonesia in 1955, and others, preferably extending over a whole region, offer great possibilities for mutual benefit and improvement. Much benefit has resulted from the systematic work of the Indo-Pacific Fisheries Council, sponsored by F.A.O. in 1948.[13] All this, however, often amounts to a mere beginning only.

Possibilities and Examples of Improvement

Where all or most of these difficulties have been overcome, there has been remarkable development of fisheries. The chief example in the Eastern Hemisphere is Japan, which is now the greatest fish producing country in the world. Annual production in Japan was 3¼ million tons before the war. At the end of the war this had declined to about 2 million tons, but now it is rising again to 4¼ million tons—that is, to a larger figure than before the war, despite the fact that in the post-war period Japanese fishermen have been excluded from some of their most productive fishing grounds. The Japanese fishers exploit nearby fishing areas very intensively, but a large part of their success is due to great help from the government in research, marketing organization, and technical and financial assistance to the basic equipment of the industry.

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[9] United Nations, *Special Study on Economic Conditions and Development in Non-Self-Governing Territories,* 1952, p.129.

[10] Ibid, p.134.

[11] The following account is based on the F.A.O. paper, *Problems of Fishery Expansion* (Paper No. 55/6/3683).

[12] See E. S. Kirby, "Fisheries Improvement in East Asia: Economic and General Aspects", *Far Eastern Economic Review,* Vol. XIX, No.16, Oct. 20, 1955, pp.482-3.

[13] See E. F. Szczepanik, "Indo-Pacific Fisheries Council", *Far Eastern Economic Review,* Vol. XIX, No. 18, Nov. 1955.

In India there has also been considerable progress since the war. In Bombay (for example) the annual fish production has been raised since the end of the war from about 50,000 tons to about 85,000 tons, and many fishing boats have been mechanized, while the marketing arrangements have been greatly improved. Hongkong has also become a famous centre of improvement in these respects, and its Fish Marketing Organization is a model for other countries.

Outside the Asian region a number of other places may be cited as examples of recent and rapid development. In the Union of South Africa production was about 100,000 tons a year at the end of the war, and has now quadrupled. Great increases have also taken place in South West Africa and in many countries of South America. In all these areas, government assistance has played a significant part.

To conclude, in most poor countries the area covered by fisheries could be greatly extended. The techniques of production, distribution and marketing could be radically improved. Moreover, a much better utilization of fish products could be effected. The amount available for consumption could be greatly increased by cutting out waste, which is very heavy, through the extension of storage and refrigeration facilities. New outlets for fish products could be developed, in such directions as the use of fish manure and for animal feeding. Even in the range of fish products used for human consumption, outlets are restricted by many prejudices and consumer habits which could be overcome by judicious publicity.

The general analysis of handicaps in fishery development presented above indicates, however, how enormous is the range of problems involved. Their multitude and extent are in themselves an answer to the question why fisheries in poor countries still remain underdeveloped. In the subsequent sections of this paper we should attempt, in turn, to analyse some of the basic problems in greater detail.

(To be Continued)

"People's Democracy" and True Democracy

Western democracy is not perfect but the peoples believe in it and genuinely try to carry it out. It is this belief and this practice which divides most non-Communist nations in the world from the countries of the Communist bloc. So-called "People's Democracy" is a fraud. Even the "dictatorship of the proletariat"—the official term—is a misnomer. The dictatorship is there, but it is that of the Communist Party *over* the working class and peasantry. The essence of Communism is dictatorship. It is said of Soviet Russia that Lenin substituted the dictatorship of the Party for that of the Soviets, or workers' and peasants' councils, which were at the time a genuine, if crude, expression of democracy. But it was Stalin who substituted his own personal dictatorship for that of the Party and terrorised the country for nearly thirty years. It is under this system that Khrushchev and his followers maintain control.

The test of democracy is free elections. No Communist country has dared at any time—with one exception—to submit to this test. The events of Hungary in 1956 and East Germany in 1953 show clearly what the results would be. The Hungarian revolution was a nation-wide struggle by the entire population to throw out the Soviet occupation forces and their hated supporters, the Hungarian secret police.

The only instance of free elections in a Communist country dates from 1917-1918, at the very outbreak of the Bolshevik revolution in Russia. The result of the elections, to the Constituent Assembly, placed the Bolsheviks in a definite minority, with about one quarter of the votes, the great majority being Socialist Revolutionaries and Mensheviks. The Assembly met for one day, January 18, 1918, and was then suppressed. The experiment was never repeated.

Even in Poland, where relaxation has gone furthest, the last elections were not free. The people were faced with the choice of either voting for Gomulka, the Communist Party leader, or being subjugated by the Russians, as in Hungary. No elections can be free so long as Poland herself is not free.

Freedom is a necessity for democracy. Without it, all the apparatus of elections—party organisation, candidates, votes—becomes a mere sham, designed only to mislead. Elections in Communist countries are a deliberate opportunity for propaganda and indoctrination; the candidates are all selected in advance and the voters have no choice.

The basis of democratic rule is consent. It means that the people accept and carry out the laws decided by their representatives in parliament because they themselves have chosen them by fair and free elections. In practice, of course, governments represent the majority of opinion, rather than all opinion; even so, in a democracy the minority may become a majority by gaining the confidence of the people.

The essential difference between democracy and Communism is that the former believes in persuasion rather than force, the latter in force rather than persuasion. In Communist countries it is the State—or rather the Party, or Party leader—which decides and the people who obey without any choice in the matter. In democratic countries, power originates with the people, who choose their leaders. It is not the "State", but the people who ultimately decide.

Consider the collectivisation of agriculture in Russia. There was no popular vote for this policy: in fact it was bitterly opposed by the peasantry, i.e. the majority of the population and those directly affected. It was decided by the Party and imposed on the people by force. As a result millions of peasants were banished and thousands were killed. The peasants even slaughtered their own livestock rather than hand them over to the State, and literally millions of cow, horses, sheep and goats perished.

Such a policy of force in the name of the Communist Party is the very antithesis of democracy. "There seems to be a basic difference," the Indian Prime Minister pointed out in August 1958, "between the Communist approach and our approach." This was not a question of economic theory, he added, but "a certain difference in technique which (on their part) involved basically thinking of conflict and violence."

Many people, Mr. Nehru went on, want to get rid of class conflict and establish a classless society. "We certainly want to do it. But the point is whether you get rid of it by intensifying it until it becomes overwhelming, and crushes out everyone who is opposed to it." The democratic approach is to recognise the existence of these conflicts and to try to get rid of them in a peaceful way.

These are fundamental issues. On the question of the rights of the individual, of persuasion rather than force, of free consent and free elections there can be no compromise. On the one side stand those (whatever their country) who believe in democracy and do their best to carry it out, on the other side stand the rulers of dictatorships and their subjugated peoples.

China Turns to the New Gods of Science

By Wyndham Newton

Modern science is taking the place of the faith in feng hsui in China, at least in the practice with which the Communists insist on linking theory nowadays, and the practical scientist takes over from the necromancer and geomancer.

A united national organisation called the Scientific and Technical Association of the People's Republic was founded in Peking on September 25 and branches are now being organised throughout the country. Its leading membership includes noted scientific and technical workers and outstanding workers and peasants' who have shown potentialities as inventors. The new organisation was formed by the merger of the All-China Federation of Scientific Societies and the All-China Association for the Dissemination of Scientific and Technical Knowledge at a joint congress, which closed on September 25 as the first national congress of the new Scientific and Technical Association.

A National Committee of 149 members was elected, with the celebrated British-trained scientist Dr Li Ssu-kwang as Chairman, and a number of other scientists and prominent members of the Party as Vice-Chairmen. The new National Committee included such remarkable figures as the Honan peasant Ma Tung-yi who pioneered the deep ploughing movement; Li Shih-mei, who devised the method of exterminating termites by direct attack on their nests and whose exact knowledge of the habits of their devastating insects and successful methods of exterminating them, made him a national celebrity and the supreme authority on dealing with this pest; a Tsinghua University student who is said to have devised a new radio mast; the expert in rat extermination Tsao Yi-shiu, a woman of Thai nationality in Yunnan; a young machinist of Chungking, Liao Shih-kang, who is a technical innovator; and the young Kwangsi man Chiang Shao-fang, who succeeded in crossing rice and sorghum.

The congress adopted a resolution to work for the fulfillment of the 12-year programme of development of science and technology five years ahead of schedule. It urged the association's branches, led by the Party and the government, to set in motion a large-scale mass movement for a technical revolution and actively to help the related departments to take all possible measures and develop co-ordination in "the spirit of Communism." In another resolution the congress called on all scientific and technical workers and other people to make greater achievements in science and technology around the current centres of attention—iron and steel, machine-building, food production, electric power and railways, as well as national defence, as their contributions to the tenth anniversary of the People's Republic next year. It also decided to call a national conference of people active in scientific and technical invention in September 1959, in Peking.

Congress heard a report by Vice-Premier Nieh Yung-chen, Chairman of the Planning Committee for Scientific Development, who pointed out that China's scientific work should develop along the lines of emancipating the mind and breaking down all out-dated conceptions. Vice-Chairman Fan Chang-chiang, who summed up the congress, said it would give great impetus to the mass technical revolutionary movement. He called on all delegates to rely solidly on the leadership of the Party, to link up closely scientific work with production, mobilise the broadest sections of the people and push the mass movement for a technical revolution to ever new heights. The concrete tasks of the association include the popularising of scientific and technical knowledge; the spreading of inventions, innovations and useful experiences; organisation of academic discussions and publication of academic journals and the promotion of international academic interchange and the struggle for peace among international scientific and technical circles.

A long and remarkable dissertation of how a Party Committee could "lead Science to make a big leap forward" was published in (of all remote papers), the Kirin Jih Pao by Secretary Li Ming-che of the CCP General Branch Committee and deputy director of the Optical Precision Apparatus and Instruments Institute of the Chinese Academy of Sciences. The article attracted such notice that it was later reproduced in the Communist Press in Shanghai. Secretary Li spoke of the actual accomplishments of the Institute, which were first revealed at a conference of the Changchun branch of the Academy of Sciences. They included high precision instruments such as a medium size spectograph and a multi-purpose optical device, more than ten kinds of up-to-date designs in the optical field, and more than a score of kinds of new optical glass. This gave the workers confidence in their own ability and they suggested—no doubt at the instigation of the Party workers—that they should finish ahead of schedule the instruments of "advanced world standard" which the Institute planned to complete during the second five year plan period, with October 1 as the target date. These instruments include a pyrometric microscope, multi-purpose tool microscope, a large spectograph, a high precision transit theodolite, and an instrument for determining distance with the velocity of light, totalling eight items. "From that time onward, we named the eight major instruments and optical glass as the 'eight main courses and one soup.' For more than two months, this description was made known to all households in every nook and corner. Everybody worked hard day and night in a self-effacing manner for the completion of this glorious historical task. By now, the 'eight main courses and one soup' have been victoriously finished one by one and are ready for dedication to October 1 one month ahead of schedule."

It is claimed that China has thus drawn abreast with the advanced world level in some primary fields and is capable of solving independently any technical problem raised by the optical industry. "At the same time we have done away with the superstition about the profundity of science and the superstitious belief that the high degree of precision for instruments is beyond our reach. Our conviction has thus been inspired."

Secretary Li claims that achievements in the big leap forward also showed dramatically that, like industry and agriculture, scientific research work can make a big leap forward. Time is precious and high speed is the fundamental line for the building of socialism, hence the ability to "perform miracles." Of course even in this statement of scientific achievement Party propaganda blatantly intrudes and everything is attributed to the victory of the rectification campaign and the anti-Rightist struggle, which laid the foundation. Undoubtedly there was considerable opposition to the ideas of the Party ideologists, for scientists do not believe in political miracles in their highly developed line of learning, in which careful and exact thought is essential.

Actually the political fight against the opposition in scientific circles might easily have ended in complete disaster and a sitdown strike of the experienced scientists, who consider many of the Party's orders and ideas merely another form of the superstitions against which the scientists have been fighting from the first. It is not stated how many of these ideas were tested and became the subject of much wasted effort before concentration on practical work yielded results, but there is still a great faith in the abracadabra of Marxism even in the making of such delicate things as optical instruments. But the pressure to apply theories to practice at once did produce results instead of a lot of impressive facts and figures merely on paper. Research work all through had to concentrate on reality—despite the kitchen slogan of eight main courses and one soup which seems wholly alien from the purpose to which it was put. But it did make people stay at their task for long hours and try, try, try again day and night. The volume of work involved by trial and error was admittedly extremely heavy.

Secretary Li says that all the workers and employees in the Institute worked whole-heartedly day and night without a break for the completion of the "eight main courses." He goes on: "Even the pregnant women refused to leave their lathes although their deliveries were expected in a couple of hours. Some workers refused to go home to see their sick mothers until the task was finished. Some comrades stayed day and night in the laboratories. They lay down to take a rest when they were tired, and resumed work as soon as they woke up. The touching scene of workers urging each other to take a rest could be seen everywhere. Some people were constitutionally weak in the past and found even eight hours work most trying. They now work more than 12 hours a day, for the 'eight main courses' have cured them of their illness."

It is admitted that though the "tide-watching school of conservatism" had thus been defeated, the task was extremely arduous. Failure on failure was experienced, ranging from several to several dozen times, and presumably with great waste of material, but it was claimed that success came in the end. Of course many objected to the speed of it all. Some said that without the emergence of such scientists as Yang Chen-ning and Li Cheng-tao (Nobel Prize winners) there was no point in duplicating results of minor or no importance. They argued that speed was not the essence of the contract nor of much significance to scientific research, since at best it could only bring about an increase in volume.

The Party Secretary's rebuttal included not merely the precious nature of the time factor but the argument that increase in quantity would give rise by natural experience to improvement in quality, and that the greater the quantity the greater the quality in the end. It was wrong, they said, even in such precision work, to give weight only to quality, for this was "precisely the metaphysical point of view." Cooperation between units was stressed to eliminate estrangement between them; then group-work was emphasised and the unit pattern laid aside. After this, the workshop was transformed as a joint laboratory.

Commentaries on Chinese Paper Money

By E. Kann

Part VIII

MANCHURIA

From the early days of the Chinese Republic, banknotes were in circulation in Manchuria, calling for redemption in subsidiary silver coin, the latter being known under the style of *Hsiao-yang-piao*. Due to over-issuing and the subsequent impossibility to redeem in specie, six large banks with offices in Manchuria entered into an agreement, in terms of which all existing small coin notes would be redeemable forthwith by silver dollar notes, termed *Ta-yang-piao*. The ratio of exchange was fixed at 10 to 12. The initiative for the innovation came from Mukden, the then Manchurian capital.

In the summer of 1916 the (Japanese) Bank of Chosen had granted two loans for altogether Yen 3,000,000 to the Bureau of Finance, Mukden, for bolstering the provincial currency. In connection with these loans a new agreement was concluded between the Chinese and the Japanese Chambers of Commerce at Mukden for the purpose of redeeming small coin dollar notes. Same was dated July 16, 1917, and read in translation as follows:

> "The Chinese and Japanese delegates have under instructions from the Provincial Governor of Fengtien, and the Japanese Consul General at Mukden, mutually agreed to the following terms regarding the adjustment of the redemption of Chinese small coin banknotes:
>
> 1.—All officials and people are to recognize the big dollars (Peiyang dollars) as the standard currency.
>
> 2.—The various Chinese banks belonging to the Bankers Association shall, immediately after the enforcement of this Agreement, cease to issue small coin notes and to redeem those at present in circulation with big silver dollar notes. All small coin notes thus redeemed are to be destroyed forthwith. For convenience in making change, small coin notes not exceeding $1 in value may be tendered.
>
> 3.—The exchange rate between small coin and big silver dollar notes is to be based on the rate officially fixed by the Provincial Governor, i.e. $1.20 for one big silver dollar note.
>
> 4.—Exchange transactions in big silver dollar notes are to be carried out on the same system as that governing such exchanges by the various foreign banks, no restrictions being placed on the amounts presented, or on the denominations demanded. For the period of one year from the enforcement of this Agreement, the amount to be redeemed in silver by both Chinese and foreigners is to be limited.
>
> 5.—The various Chinese banks concerned should exert themselves to the utmost to place provincial finance on a sound and practical basis. Should any of these banks, after a period of 18 months from the enforcement of this Agreement, find themselves unabie to redeem their notes with silver upon presentation, they will be subiected to the following penalties: (a) The Chinese and Japanese delegates will proceed to the delinquent bank to conjointly examine its specie reserves. (b) Should the delegates deem it advisable, they should be empowered to nominate a Chinese and a Japanese as controllers of the bank, no objections on the bank's part being allowed. (c) Any advice given by the Chinese and Japanese delegates conjointly to a delinquent bank must be acted upon.
>
> 6.—A detailed draft of this Agreement will be drawn up separately.
>
> 7.—This Agreement is to come into force on August 16, 1917, but during the intervening time, exchange operations are to be conducted as heretofore, i.e. at a limited amount per diem.
>
> 8.—Should either one of the contracting parties infringe the terms of this Agreement, it shall become null and void."

Nominally convertible into silver upon demand, the small coin notes remained practically inconvertible from the outset. The reason was simple. Since the public justly had lost all confidence in the small coin dollar notes and in their sponsors, it readily exchanged their paper holdings into new 'big dollar' notes. Without pausing, people attempted to continue the chain of events by clamoring for redemption in silver which, according to promises decreed, was to be made available in unlimited quantities. However, the source began to run dry almost immediately, and the new notes also became irredeemable. Nevertheless, this class of banknotes had a much better destiny than the small coin paper, or the copper banknotes. There were various categories, divided as to districts, the fate of which will be reviewed here in short compass.

Harbin

As a commercial metropolis of North Manchuria, Harbin could not afford to let its currency depreciate to any extent. The issue of the new 'big dollar' notes was confined to four banks, namely: the Bank of China, which maintained branches at Harbin, Kirin, Tsitsihar, Taheiho, Linchiang, Suihua, Hailun and Yangtze; the Bank of Communications with branch offices at Harbin, Tsitsihar and Taheiho; the Bank of the Three Eastern Provinces, being established at Harbin, Kirin, Tsitsihar and Taheiho; and the Provincial Bank of Heilungkiang, established at Tsitsihar. In this manner their fiat money was not only used within the Chinese Eastern Railway Zone, but also in the Interior of North Manchuria. Notes were issued in denominations of $1, 5, 10 and 100. Those of the Bank of China, Bank of Communications, and Bank of the Three Eastern Provinces (the latter styling itself 'Bank of Manchuria') were printed with Chinese, English and Russian legends by the American Banknote Company, while the emissions of the Provincial Bank of Heilungkiang were locally produced on poor paper and with indistinct printing.

By the close of 1923 the approximate amount of Harbin 'big dollar' notes outstanding was as follows: Bank of China, about $2,000,000 in denominations from 5 cents to $100. The Bank of Communications' issue stood at about $5,000,000 in identical denominations; the Bank of the Three Eastern Provinces was responsible for an approximate circulation of

6,000,000 dollars, in denominations of 5, 10 and 20 cents and 1, 5, 10 and 100 dollars; the Provincial Bank of Heilungkiang had emitted about $2,000,000. As a rule, every one of these notes displayed the place of issue. Specie reserves were kept at the place of emission, but apparently in insufficient volume. The fact that an appreciable reserve in shape of metallic coins existed, coupled with the readiness on the part of issuing banks to exchange Harbin notes (though at fluctuating market rates only) against transfers on Shanghai, Tientsin, etc., made these Harbin notes comparatively stable and prevented excessive depreciation. The Chinese Eastern Railway accepted the notes in payment of freight.

Between 1921 and 1924, the four principal Chinese banks issued notes at Harbin. Originally these were redeemable in silver dollars, but since 1921 there existed an embargo on the export of silver from Harbin. From April, 1924, onward, the Chinese banks refused to cash their banknotes against silver for amounts in excess of $10 per person. Under these circumstances Harbin paper money ceased to be a silver currency. The value of the local dollar, when compared with the Shanghai dollar, fluctuated at times during the last three months of 1924, declining as low as 35% discount.

According to investigations made by the South Manchuria Railway Company's Research Department, the circulation of Harbin dollar notes stood at the following figures:

1921	(Dec.)	$ 21,500,000
1922	(Oct.)	12,000,000
1923		20,000,000
1924		27,500,000
1927	(Dec.)	38,000,000
1929	(Sept.)	38,600,000

In February, 1930, the total issue in Harbin amounted to $37,300,000, divided in the following manner as to banks of issue:

Bank of the Three Eastern Provinces	$ 14,000,000
Bank of Communications	9,000,000
Bank of China	3,500,000
Kirin Provincial Bank	2,100,000
Frontier Bank	8,700,000
	$ 37,300,000

In the second semester of 1929, the total issue of Harbin notes had reached about $50,000,000; by that time the Kirin Provincial Bank and the Frontier Bank had participated in the volume of circulation. Then a proclamation was issued at Harbin, ordering the exchange of all notes, not later than December 20, against newly printed banknotes bearing the seal of the Civil Administrator, General Chang Ching-hui, who was holding the concurrent post of Financial Superintendent. After December 20, unstamped banknotes were to be debarred from circulation. The total issue of Harbin *Ta-yang-chien* notes was indicated at $51,914,000.

When Manchuria was detached from China (September, 1931), the Central Bank of Manchou had to take care of all the paper money circulating in the Three Eastern Provinces, redeeming same at fixed rates, after taking over existing metallic and security reserves. In this manner, the entire 'big-dollar' circulation of Manchuria was replaced by the issue of new and uniform yuan notes. The price fixed for the North Manchurian issue of the 'big dollar' was $1.25 *Ta-Yang-Chien* for one new yuan. Exchange was to be effected within two years, but additional grace was granted at the expiration of the original date.

Official data give the total of 'big money' dollars left for redemption at the following figures:[1]

Harbin dollars	$39,192,369.11
Kirin dollars	9,065,488.74
Tsitsihar dollars	16,680,485.70

Of these about 95% had been redeemed by exchange against new yuan notes by the end of March, 1935.

When describing the paper circulation of North Manchuria, one must not forget a currency which used to be known there as *Hui-tui-piao*. This consisted of transfer drafts, circulating side by side with other paper money. However, from the outset, this form of paper money did not pretend to be convertible into silver. These notes were intended as transfer instruments to points specified in advance. It was customary to indicate on the notes in ink the amount (in taels or dollars) payable at the point upon which it was drawn. Originally this kind of currency was issued by the Bank of the Three Eastern Provinces, but subsequently the privilege was extended to other banks of issue.

These notes, also styled *Hui-tui-chuan*, when issued by the Three Eastern Provincial Bank, bore the following inscription:

> "This note is to be accepted at Tientsin or Peking in payment of remittance for the equivalent of Shanghai Kwei-yuan taels."

The drafts sometimes were issued on a branch office of the bank concerned and situated in North China. In this manner the notes were actually converted into silver.

North Manchuria also had 'small coin dollar' notes in circulation *(Hsiao-yang-chien)*, but as already pointed out, those were replaced in 1917 by large dollar notes, supposedly redeemable in silver.

The Harbin dollar notes were redeemable by the Manchukuo Government Bank[2] at the rate of $1.25 for the new yuan. This referred to the issues of the Three Eastern Provincial Bank, the Kirin Provincial Bank, the Heilungkiang Provincial Bank and the Frontier Bank.[3]

Kirin

The Kirin Provincial Bank issued 'large dollar' notes which were redeemed by the Bank of Manchuo in 1932 at the ratio of $1.30 for 1 yuan.

Kirin Province also was responsible for an emission of 'small coin dollar' notes. Even after the conclusion of an Agreement between banks in 1917, notes in denominations of 10 *chiao* (i.e. for 10 silver pieces @ 10 cents) remained in circulation in Kirin Province. Seemingly there was a heavy over-issue, for when these notes were to be recalled in 1932, the Bank of Manchou fixed 50 'small coin dollars' in notes for 1 Manchurian $.[4]

Heilungkiang

The large dollar notes circulated in the Northern Manchurian Province were emanating from the Heilungkiang Provincial Bank. When recalled in 1932 by the Bank of Manchou, the rate of conversion was fixed at $1.40 equal to 1 yuan.[5]

South Manchuria

Mukden—or Fengtien—Province undoubtedly is the richest of the three Manchurian provinces. (Since then Manchuria was subdivided into many more provinces); it is fertile and well populated and noted for its large coal deposits and steel factories. Under efficient government the populace would have been well off; but owing to continuous armament, rebellion and warfare, the people were condemned to remain paupers and turn to banditry. The financial policy—if there ever was a policy—was most harmful to economic progress in Fengtien and could only lead to disaster.

The story of the note-issue in Mukden is a novel with a very sad ending. Over-issues led to depreciation which—in a vicious circle—assumed an ever-increasing circumference.

Fengpiao

Dollar notes issued by the official bank of the Three Eastern Provinces up to the end of April, 1914, amounted to $8,700,000 in value; this total included a small volume of tael notes. The largest portion thereof consisted of *Ta-lung-yang-piao* and 'small coin' silver notes. In 1917 the Bank's note-issue exceeded $10,000,000, and the 'small coin' note series began to display tendencies pointing toward rapid depreciation. In order to remedy the situation the bank issued 'big dollar' notes, known as *Hweit-wei-chuan*, which soon entered the scene as the *Feng-piao* notes of succeeding years. At first these notes were redeemable, but since 1917 the total emission increased so rapidly that its volume, by the close of 1925, was estimated to have aggregated $515,000,000.

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[1] See the Central Bank of Manchou's Report for 1935.

[2] Manchukuo Ordinance No. 38 of June 27, 1932.

[3] All these Harbin notes had to be surcharged with the official seal.

[4] Japanese estimates put the circulation at the close at $13,000,000.

[5] Manchukuo Ordinance No. 33 of June 27, 1932.

The original 1917 issue also was known as 'One-Two Big Dollar Notes', because the official exchange rate was fixed at $1 big money to $1.20 small money. However, there existed very little metallic reserve against this enormous issue, so that a moratorium had soon to be declared. Having turned inconvertible, the *Feng-piao*, in May, 1927, was quoted at 11 silver dollars for *Feng-piao* 100 in the Peking market.

The Japanese Chamber of Commerce at Mukden estimated the issue of *Feng-piao* notes at various dates as follows:

1916	$ 15,800,000
1917	16,935,000
1922	36,000,000
1924 (March)	51,000,000
1924 (November)	223,284,000
1925 (November)	511,725,000

The Chinese authorities at Mukden, however, declared these estimates as baseless, maintaining that by the close of 1926 the total issue amounted to only $190,000,000. Due partly to over-issuing, combined with the absence of commensurate reserves, and partly also to violent speculations on the Mukden Exchange, prices for *Feng-piao* depreciated rapidly. The highest quotation for 1926 was silver $6.22 for 100 *Feng-piao*, while the lowest was silver $4.77. Alarmed by the rapid depreciation, the Mukden authorities determined to issue in 1926 a loan for $50,000,000 at 6% interest per annum for the purpose of redeeming 100 million *Feng-piao* notes at the rate of two per dollar in bonds. However, the project could not be translated into facts.

One of the many abortive attempts to stabilize the value of the *Feng-piao* was the proposed issue of a $50 million loan in 1926. The succeeding regulations were cabled by Reuter's News Agency and are reproduced here as cited in the "Chinese Economic Bulletin" No. 276 of June 25, 1926. History is silent as to the results of the planned loan issue, but judging from actualities, the plan either miscarried, or else it was unsuccessful even as a temporary palliative. The regulations are cited here verbatim:

> "1.—For the readjustment of the finances of the Fengtien Provinces bond certificates to the amount of $50,000,000 are to be issued. They are named "Bonds for the Readjustment of Finance in the Three Eastern Provinces" and will be issued by the Official Bond Office of the Three Eastern Provinces.
>
> 2.—The bonds are for the redemption of *Feng-piao* at the rate of $2 Fengtien Big Money to one silver dollar. Interest will be paid in silver dollars.
>
> 3.—The rate of interest shall be 6 per cent. per annum.
>
> 4.—The bonds are to be secured on government land properties, the annual receipts from the government properties will be placed on the budget for payment of interest and redemption of the bonds.
>
> 5.—Interest will be paid twice a year, i.e. on March 31 and September 30 of each year.
>
> 6.—For three years from the date of issue of the bonds, interest only will be paid. Beginning from the fourth year, one-fifth of the bonds will be redeemed annually, redemption to be determined by drawings of lots. The total amount of bonds will be redeemed in eight years. Before the eighth year the drawing of lots will be held annually on September 10 in the office of the Civil Governor, who will delegate an officer to supervise the operation, together with the Chief of the Bureau of Bonds.
>
> 7.—In the city of Mukden the interest and the principal of the bonds may be drawn at the government bank of the Three Eastern Provinces. In the *hsiens* (interior districts) they may be drawn at the Magistrates office or the Tax Office. The bonds and interest coupons so drawn will be sent to the branch office of the government bank for refunding.
>
> 8.—The bond certificates are in 5 denominations, viz.,
>
> 1. $10,000 certificates
> 2. 1,000 ,,
> 3. 100 ,,
> 4. 10 ,,
> 5. 5 ,,
>
> 9.—The bond certificates may be bought and sold at any time, or pledged on mortgage, and can be pledged as security in official transactions which require guarantee money.
>
> 10.—The bond certificates or interest coupons, from the date of maturity, can be used for payment of all duties and dues in the Three Eastern Provinces.
>
> 11.—If the officials handling the bond certificates commit any action calculated to impair the circulation of the bonds, they are liable to punishment in accordance with the regulations for impairing the credit of internal bond issues.
>
> 12.—Half a month before the date of payment of interest, the Bond Office shall inform the Civil Governor and request him to send a delegate to investigate the refunding accounts in the banks where these are deposited.
>
> 13.—The latest date for drawing payment of principal or interest on the bonds is to be the end of September in the 25th Year (1936) of the Republic of China, after which date they will be annulled.
>
> 14.—The above regulations are to come into effect on the day of their promulgation."

Amongst the numerous attempts to bolster up the value of the *Feng-piao* the following project may be cited. It was merely an attempt which, as so many other plans, failed to lead to concrete results. The regulations pertaining to the currency improvement project dealt only with the manner in which the loan was to be raised; no mention was then made of vital details, as period of loan, security, interest, etc. These remarks relate to a forced issue of $30,000,000, decreed in 1928. The public notification in connection with the scheme read:[6]

> "To readjust the money market of South Manchuria, which has been disturbed by the depreciation of the *Feng-piao* notes, Mukden authorities have decided to issue a loan of $30,000,000. Regulations state that the loan is to be known as the "Currency Readjustment Loan of Fengtien Province" and that all officials and property holders must subscribe. Any owner of 50 *mow* of cultivated land must subscribe at least $5 to the loan; of 100 *mow*, $10; and of 150 *mow*, $15. The amount increases with the extent of the holding at the rate of $5 for every 50 *mow*. District magistrates will apportion the amount to each landowner, with the local land register as their guide. Merchants and traders having a circulating capital of over $300 must subscribe $15 and $5 more for every additional $100 of capital. Especially prosperous merchants must subscribe more. This also applies to the banks and savings societies, whose branches in other cities will be exempted from further subscription, if their head offices in Mukden have already subscribed the full amount. Any house owner who collects a yearly rental of $300, must subscribe at least $15 to the loan, and $5 more for every additional $100 of yearly rental.

In 1922, when civil war between Fengtien and Chihli broke out, Mukden's *Feng-piao* issue was increased to 300,000,000 *Feng-piao*. When General Kuo Sung-ling revolted against Governor General Chang Tso-lin in 1925, the circulation was further augmented to 490,000,000 *Feng-piao*. During the Civil War between North and South (1926-1928) more notes were issued, closing in 1928 according to estimate with *Feng-piao* 1,300,000,000. During the conflict with Soviet Russia in the Amur Province, the Mukden note-issue was further increased to about 3 billion *Feng-piao*. At the end of June, 1929, the exchange value of the *Feng-piao* was officially fixed by the Mukden authorities at 60 to the silver dollar, but in 1930 it had fallen considerably lower still.

In searching for causes for the existence of such stupendous emissions, created within a short space of time, one finds that a sinister scheme was responsible for the enlargement. For its large armament projects the Mukden Government was forced to pay in gold or silver. In order to obtain these metals, it ordered the numerous branches of its own banks, established in many places, to purchase soya beans and other cereals in the markets and pay for the goods with the currency of the country, the *Feng-piao*. Beans and other grains were forwarded to the seacoast, mostly to Dairen, in order to be exchanged there for gold or silver, with which to pay for arsenals, munitions and arms. In this way values were shipped out of Fengtien Province, and valueless paper was foisted on its hard-tried population.

Although the basic causes for the rapid depreciation of *Feng-piao* notes were obvious, Governor General Chang Tso-lin maintained that the country's currency was being intentionally depreciated by speculators. Subsequently he summoned some exchange brokers to his yamen and had them shot. This experiment was repeated with seeming success, for after the execution of eight exchange brokers *Feng-piao* quotations improved from 44 to 28. However, the change brought about by fear for one's life was of short duration, and the *Feng-piao* resumed its race downhill, reaching 60 per silver dollar in 1929. When Manchuria declared its independence from China, it was established that the total issue of *Feng-piao* aggregated 949,673,135.50, which subsequently were exchanged against new Manchukuo yarn notes (between 1932 and 1935) at the ratio of 50 *Feng-piao* for one yuan.

The following table indicates fluctuations of the *Feng-piao's* average exchange rate, covering the years 1921 to 1928 per silver dollar:[7]

Year	January	December
1921	1.482	1.391
1922	1.456	1.490
1923	1.539	1.535
1924	1.560	1.956
1925	1.990	2.000
1926	2.620	3.930
1927	5.360	12.440
1928	11.300	28.550

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[6] Vide "Chinese Economic Bulletin" of July 14, 1928, No. 2.

[7] From "Chinese Economic Bulletin" No. 16 of April 20, 1929.

Amongst the numerous schemes to bolster up the falling *Feng-piao* the following deserves mention. It appeared in the "Chinese Economic Bulletin" No. 4 of July 28, 1928:—

> "In recent years the money market in Manchuria, especially that of Fengtien Province, has been much disturbed by the indiscriminate issue of *Feng Piao* notes, of which the total in circulation is believed to exceed F. 1,000,000,000. To remedy the situation, the Mukden authorities have adopted the following programme: (1) To use the proceeds of the $10,000,000 loan, which is being floated in Manchuria, as sinking fund for redeeming the *Feng-piano* notes. (2) To reorganize the Official Bank of Manuchuria into the Central Bank of Manchuria, which is to be charged with the duty of currency unification. (3) To issue new dollar notes to replace the different kinds of paper money now in circulation. (4) To appropriate $5,000,000 from the funds left by Marshal Chang Tso-lin for redemption of the *Feng-piao* notes. (5) To organize a Commission to readjust the Feng-piano notes and to audit and settle the accounts of the Official Bank of Manchuria. (6) To disband at least 100,000 soldiers, so as to cut down military expenses. (7) The new paper money to be issued by Mukden to be legal tender in all public and private transactions.
>
> The measures under (1), (4), (5) and (7) were to be enforced immediately, and the rest to be considered by a financial conference to be held by the end of July. A sudden rise of the *Feng-piao* rate immediately followed the publication of this news."

The following table indicates high, low and average quotations of the *Feng-piao* in terms of Japanese gold yen for the years 1912 to 1929. Since during these years Manchuria was on a silver basis, the relationship with a gold currency is not a fair comparison, as silver prices were wildly fluctuating during the period under review. Under such circumstances the table is meant to constitute a record, and not a measurement of fluctuation and depreciation:[8]

Year	High Yuan	Low Yuan	Average Yuan
1912	128.80	110.70	120.25
1913	129.60	114.–	123.13
1914	152.50	124.60	138.61
1915	155.10	133.–	147.92
1916	143.30	93.–	124.43
1917	111.60	70.–	100.94
1918	118.–	84.20	96.95
1919	115.20	62.–	93.48
1920	146.30	54.–	100.19
1921	166.30	107.–	139.48
1922	148.60	116.91	134.89
1923	148.–	128.–	138.85
1924	194.–	121.90	138.48
1925	233.–	130.–	168.19
1926	570.–	200.50	358.77
1927	1,360.–	480.–	956.65
1928	3,300.–	1,510.–	2,509.65
1929	7,760.–	2,670.–	5,682.68

In a certain way, the foregoing tabulation is not merely of academic value, for it must be considered that during the years referred to Japan's trade with Manchuria in general, and with Fengtien (Mukden) Province in particular, was very large; in fact Japan was leading in the realm of Mukden's foreign trade. Therefore, there is significance in a sense in the above quotations, which mean so many *Feng-piao* for 100 Japanese yen.

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[8] See "Report on the Currency System of China", by M. Araki (1931), fol. 37.

The Development of Petrochemical Industries in Japan

MOTIVES OF INDUSTRIALIZATION

The development of petrochemical industries in Western countries posed a big threat to the Japanese industry which experienced a technical vacuum during the war. After the war, Nippon Soda Company, Ltd. recognized the need of petrochemical industries and began studying in 1950 the possibility of industrializing petrochemical industry by dissolution of light oil. But the research failed to materialize the industrialization due to various reasons. The venture of Nippon Soda Company soon led many firms, particularly oil refining and chemical interests, to pursue similar researches. As the Diet and the International Trade and Industry Ministry shortly began to back up the researches, the industrialization made rapid development. The International Trade and Industry Ministry, in particular, was so enthusiastic as to subsidize the industrialization in an effort to cultivate the petrochemical industry. In so doing, the ministry recognized the petrochemical industry in Japan as a basic chemical industry to supply cheap raw materials to key industries including synthetic resin, synthetic textiles and synthetic rubber. The ministry considered it urgently necessary to accelerate the growth of the petrochemical industry as greatly helpful to heighten the economic structure, economize foreign exchange for import and to ensure foreign currency by export of petrochemical products. With such moves as a background, the petrochemical industry made a start in 1957 by running a small factory operated by utilization of waste gas at oil refineries. This year is expected to see a completion of an integrated petrochemical plant to be worked by resolving light oil.

OUTLINE

In April, 1957, the Maruzen Oil Company launched production of secondary butyl alcohol and methylethyl ketone, while the Nippon Petrochemical Company developed the two products of isopropyl alcohol and acetone in August of the same year. Moreover, with the turn of the current year, Mitsubishi Oil Company and Mitsui Petrochemical Industries began operation by turning out aromatic products, while Mitsui Petrochemical Industries and Sumitomo Chemical Companies lost no time in producing ethylene oxide and ethylene glycol respectively. When all the industrialization programs make progress as scheduled, the first stage of Japan's petrochemical industry construction would come to finish in October 1959, and the nation then will have the following annual producing capacity of petrochemicals in 1960.

Products	Quantity (metric ton/year)
Ethylene derivatives	
Ethylene	79,800
Ethylene glycol	9,240
Ethylene oxide	9,200
Polyethylene	52,000
Styrene monomer	36,000
Propylene derivatives	
Acetone	10,340
Isopropyl alcohol	2,000
Butylene derivatives	
Secondary butyl alcohol	2,400
Methylethyl ketone	1,850
Aromatic products	
Benzene	19,460
Toluene	18,320
Xylene	17,820
Phenol	12,000
Benzoic acid	900
Phthalic anhydride	2,000
Isophthalic acid	5,000
Telphthalic acid	8,200
Synthetic Rubber	
Styrene butadiene rubber	28,000
,, (latex)	7,800
,, (oil-extended)	18,000
Hycar (high-styrene)	1,200
,, (N type)	1,800

FEATURES

Technical Feature: Japan is scanty of natural resources, particularly oil and natural gas deposits. Although natural gas is increasing in output every year, the bulk of the production is occupied by dry gas which is composed of methane for the greater part. The dry gas, however, is limited so much in quantity that it is not fit for material for petrochemical production. Also, the scale of the oil-refining industry in Japan is so small that it is impossible to use cracked gas produced in refining as material for petrochemicals as in the United States. Under these special circumstances, ethylene, the principal material for petrochemicals, is obtained in Japan by dissolving light oil as in Britain and other Western countries. Chemicals turned out by utilization of secondary gas, by-products in oil refining, are only such propylene and butylene derivatives as isopropyl alcohol, acetone, secondary butyl alcohol, methylethyl ketone and butadiene (for synthetic rubber), which covers quite a small portion of petrochemical products. The price of ethylene, the essential material in Japan, is naturally as high as Y70 or Y80 per kg compared with some Y40 in the United States. Another outstanding feature of this industry is the fact that nearly all the enterprises, in an effort to fill up the wartime technical vacuum in chemical industries, are cooperating technically with leading foreign chemical firms and building plants under patents secured from them. Why then are the domestic enterprises seeking technical tieup from overseas? Because, despite a fairly high technical level attained in inorganic chemistry, Japan has lagged far behind Western countries in technical achievements of organic synthetic chemicals. Moreover, Japan, which had no petrochemical technique, considered it advisable to make use of the established technique in foreign countries even by paying high royalties in order to realize a rapid industrialization of petrochemical industry. There is, needless to say, an exception. For instance, Japan Catalytic Chemical Industry Company has succeeded in perfecting its own technique on the production of ethylene oxide and ethylene gloycol.

Characteristics of the enterprise structure: Viewed from the standpoints of the histories of firms connected with the petrochemical industry, petrochemical products, material supply and of the georgraphical position and relations of the firms with other enterprises, the industry generally has the following three features:

(a) *New firms established by joint investment of the firms engaged in similar enterprise*—Mitsui Petrochemical, Mitsubishi Petrochemical, Furukawa Chemical and Showa Yuka Companies come under this category. The Mitsui petrochemical Industries, established in July, 1957 is the firm operated under joint investment of eight companies which belonged to the now defunct Mitsui concern, the largest prewar Zaibatsu combine of Japan. The eight companies include Mitsui Chemical, Miike Gosei Chemical, Mitsui Mining, Mitsui Metal, Toyo Koatsu Industries, Toyo Rayon, Mitsui Bank and Koa Oil. Meantime, the Mitsubishi Petrochemical Company was created in April, 1956 by a joint capital of nine firms of the old Mitsubishi lineage, including Mitsubishi Chemical Industries, Asahi Glass, Mitsubishi Rayon, Mitsubishi Mining & Smelting, Mitsubishi Shoji Kaisha, Mitsubishi Bank, Toyo Marine Insurance, Meiji Life Insurance and Mitsubishi Mining. The Furukawa Chemical Industries likewise came into existence in October, 1956 by joint investment of Furukawa Electric, Furukaawa Mining, Nippon Light Metal, Yokohama Rubber, Fuji Electric, Asahi Electro-Chemical, The Japanese Zeon, Fuji Communication Apparatus Mfg, Nippon Oil and Asahi Life Insurance and Daiichi Bank. Moreover, the Showa Yuka was formed in June, 1957 under joint investment of Showa Denko, Marubeni-Iida, Fukoku Life Insurance, Ajinomoto, Japan Metallurgical, Hitachi Machinery and Fuji Bank. All these new firms are aimed chiefly at joint industrialization of petrochemical industry and systematic coordination of demand and supply of materials and manufactures. Each of these petrochemical companies, needless to say, has a different feature in various respects such as, for instance, the percentage of investment by a pivotal member firm, the position of each enterprise, the kind and structure of investments and the system of demand and supply coordination. A salient feature common to each of these firms is a horizontal link, not a vertical control by financial capital as in prewar years.

(b) *Groups of enterprises broken down by materials or by demand for products*—The inroad into the petrochemical industry can be said a common desire of the nation's chemical companies. But considering the procurement of a huge fund required, the acquisition of materials and the security of markets for manufactures, it is a matter of great difficulty for a single enterprise to accomplish the desire. And this led the above companies to cooperate with one another for obtaining materials and coordinating demand and supply of products. To cite an example, there are in the Kawasaki area the Nippon Petrochemicals Company and a group of 10 industrial firms getting supplies of materials for petrochemicals from Nippon Petrochemicals. This company dissolves petroleum to manufacture annually 25,000 tons of ethylene and some propylene and butadiene for supply to Showa Yuka, Furukawa Chemical, Japan Catalytic Chemical Industry, The Japanese Zeon and Asahi Dow. Besides, it provides Showa Denko Company with cracked gas, while those receiving materials form a combine for producing various chemicals ranging from polyethylene, synthetic rubber to fertilizers. As Kawasaki City (Kanagawa Prefecture), a part of the Keihin (Tokyo-Yokohama) industrial area, set up a petrochemical factory zone on a seaside reclaimed ground to attract enterprises, a greater number of various industrial plants, with emphasis on petrochemical industry, would be built in groups around this district in the near future. Another similar example will be the Matsuyama factory; the Maruzen Oil Company is now planning to construct in concert with various enterprises in the outskirts of Matsuyama City.

(c) *Single-operated enterprise*—Mitsubishi Oil and Sumitomo Chemical Company will be cited as examples of this case. The former company manufactures aromatic products on a single-operation basis because of the reasons that aromatic products require only a small fund for producing facilities and that the equipment is also available for manufacturing high-grade gasoline. The latter benefits by "Killing two birds with one stone." It turns out polyethelene and further rationalizes its operation to produce fertilizer by utilizing cracked gas.

The big enterprises or the group of enterprises with such features have now launched vigorous moves to take the leadership in the petrochemical industry. At present, viewed from the over-all standpoints of the time of industrialization and of their products, the Mitsui group appears to have run a bit ahead of the Mitsubishi and Sumitomo interests. At any rate, it is now generally believed that petrochemistry industry has a big economic potentiality to develop as a new industry into the major or the largest section of chemical industries in the near future. From a standpoint of private enterprise, moreover, it is considered necessary to reduce production cost by introducing petrochemical technique in order to tide over intense competitions to make big development. With the importance of petrochemical industry recognized increasingly by the public, every enterprise is now greatly enthusiastic about industrialization of petrochemical industry. To account for such trends, a number of new plans has been announced.

EFFECTS OF THE INDUSTRIALIZATION ON THE JAPANESE ECONOMY

Thus, the time has come in Japan for the petrochemical industry to come into full-scale operation. What effects will it then have on the Japanese economy? First, the foreign exchange for import will be economized. Japan, which depends on imports for all the petrochemical products she needs, is expected to buy from abroad as much as $135 million worth of them in 1960. In case, however, the petrochemical industry has run on the track, the national would be able to save about $110 million. In effect, the actual amount of foreign currency to be economized would be estimated at $100 million as inclusive of some $6 million for oil import and $4 million for royalties and techniques to be introduced. Second, export of petrochemical products will enable Japan to acquire foreign exchange. In Asia, it is difficult for any other country to industrialize petrochemical industry than Japan for the time being, and Japan naturally is considered to have the possibility of exporting petrochemical products, with special emphasis on synthetic resin and synthetic textiles. The International Trade and Industry Ministry has estimated annual exports would amount to some $50 million in 1960. It is said that the exports would amount to some $50 million in 1960. It is said that the exports, combined with the economized imports, will add some $150 million to the nation's foreign exchange holdings. In the third place, the phase of material supply will be considerably benefitted by the development of the petrochemical industry. Actually, a good many products manufactured from synthetic resin and synthetic textiles hitherto have depended on existing materials, not to mention those petrochemical goods such as polyethlene and terylene. These products must depend on petrochemical industry for supply of materials according to an increase in the demand for necessary materials. By supplying low-priced materials to these industries with futures and their related enterprises, petrochemical industry hereafter will contribute greatly toward expanding Japan's economic power, lowering costs and strengthening the power to compete in export markets. Besides, national earnings are not only considered to show a sizable increase by developing highly the economic structure, but employment also is expected to tend upward particularly in the processing section as well as in related industries.

Meantime, there will be given as negative effects the friction with existing industries involving tar, ferment and carbide production. While demand for these organic chemicals is rising remarkably, the government has been making every possible effort to avoid conflict between industries and petrochemical enterprises. Therefore coordination, if inevitably necessary, is not considered to be so big. So far some pressure has been placed on acetone and buthanol production by the fermentation industry.

FUTURE OUTLOOK

As it is considered a serious obstacle to the development of Japan's petrochemical industry that the price of ethylene is estimated at nearly double that in the United States, reduction of ethylene prices probably will become the major problem to tackle in the future. A solution of the problem will be an effective utilization of propylene, a by-product in the resolution of naphtha into ethylene. At present propylene is not only used as material in the cumene process, but also is widely consumed as factory fuel. Propylene also will be highly valued and ethylene cost lowered by the industrialization of propylened derivatives including mainly polypropylene and alkylbenzene. It is believed certain that the above two items are industrialized following completion of the project now under way. It is, however, considered that the perfection of techniques in textile production should be a big prerequisite for the industrialization of polypropylene.

Meantime, it goes without saying that there remains some important questions yet to be solved; namely the aforesaid friction with existing industries, refundment of huge construction costs and interest to be borne. Be that as it may, it is widely believed that Japan's petrochemical industry now stands a fair chance of future development. The ratio of petrochemical output against the production of organic chemical goods in 1960 is currently estimated at about 15%, compared with 33% for Britain and 78% for the United States, both in 1955. For Japan which is not blessed by oil resources, it may be difficult to expect a sharp rise in her oil refining capacity. Though it is impossible for this country to come up to the high production level of advanced nations, it may be said that there is still a good chance of future development for Japan's petrochemical industry.

Economic Reports from Tokyo

Movement of Market Loan Rates: According to the report made to the Bank of Japan's Policy Board meeting by Mr. Fujisawa of the Bank's Bank Relations and Examination Dept., the market loan rates, though on a downward trend since the first lowering of the official rates in June, are rather slow in declining when compared with the pace of their rise following the raising of the official rates in May last year. This is especially notable in the case of provincial banks, whose rates lag to fall. In June, the maximum rates of bank loans were voluntarily lowered by 0.2 *sen* p.d. per Y100 (0.75% p.a.). Accordingly, in the period from June to the end of August the average actual loan rate of all banks throughout the country fell by 0.042 *sen* (0.153% p.a.) to 2.326 *sen* (8.49% p.a.), which is about the same level as at the end of August last year. Taking it separately for city banks and provincial banks, the average rate was down by 0.056 *sen* (0.204% p.a.) during the same period in the former, while it declined only 0.027 *sen* (0.099% p.a.) in the latter.

Curbing Stock Market Rise: In view of the recent continuous advances in stock prices, Tokyo Securities Exchange and Nippon Securities Finance Corporation took measures to damp speculative enthusiasm, as was expected, by making announcement that, taking as the standard the outstanding amount of loans made to each securities dealing firm as of Oct. 13, each firm will be required from the 16th onward to lodge an extra security of 10% on the balance of loans exceeding that standard. At the same time, the margin required on transaction on credit of the general investor will also be raised by 10% to 40% from the 16th.

Dr. Vocke's Coming Expected: Dr. Wilhelm A. T. Vocke, ex-President of the Laender Bank of West Germany, had been approached by the Bank of Japan with invitation to visit Japan, and his informal acceptance was received recently. His itinerary is yet to be decided, but he will be here in early November for 2 weeks' stay. Dr. Vocke played an important role in the postwar rehabilitation of West Germany while he was the President of the Laender Bank.

Corporate Capital Increase in 1958: The Capital Issue Adjustment Conference has agreed on the capital increase of 8 corporations scheduled for December next, which amounts to Y5,912 million. This is only one-third of Y16,082 million for 14 corporations in the same period last year. Taking the whole year 1958, corporations increasing their capital will number 193 with the total amounts of Y172,662 million, which is about Y30,000 million less than Y205,086 million for 358 corporations in 1957.

Our Foreign Trade: According to the customs statistics made public by the Finance Ministry, our exports during September amounted to $230 million and imports to $234 million, resulting in an excess import of $4 million. This brings the total exports for the first half of fiscal 1958 (Apr.-Sept.) to $1,369 million and total imports to $1,507 million, with an excess import amounting to $138 million, which is $61 million less than the previous half-year and shows, if compared with the corresponding period of fiscal 1957, a sharp decline of $772 million. It is chiefly accounted for by the decrease in imports, which was 90.1% of the previous half-year and only 64.2 of the same period a year ago.

Bank of Japan's Advances: The advances of the Bank of Japan outstanding on Oct. 15 were brought down to Y438,500 million through a further repayment of Y5,000 million within the day. And it is worthy of note that all advances subject to higher interest rates have disappeared as the result. Even after the tightening of money since the spring of 1957, fund demand in general did not diminish readily and banks turned to the Bank of Japan for funds and caused the Bank's advances to swell. Along with it, advances on which the higher rate is chargeable also increased from about June last year. It is for the first time in 16 months that such advances were reduced to nil.

The State of the Philippine Manufacturing Industry

By Roberto Villanueva

(President, Philippine Chamber of Industries, Manila)

PART II

EMPLOYMENT AND WAGES

As to whether Philippine industry has given positive help in solving the serious unemployment problem of the country, the following statistical data and figures are submitted for consideration by our people and the political leaders of this country.

Table 21. Employment index in manufacturing and mining, compared with commerce.
1940—100

Year	Manufacturing	Mining	Commerce
1949	100.0	100.0	100.0
1950	97.9	120.2	93.4
1951	98.9	143.3	90.5
1952	99.1	150.1	95.1
1953	109.0	138.7	93.6
1954	115.5	106.8	96.6
1955	116.0	112.3	102.1

Easily, one of the gravest economic problems confronting the country today is *unemployment*. According to Secretary Eleuterio Adevoso of the Department of Labor, the Philippines is suffering from "structural unemployment" which is the inevitable effect of a structurally unbalanced economy that we have today. This is due to over-emphasis and complete dependence upon the export-import sector of our economy.

The above employment index of the Central Bank of the Philippines clearly indicates that from 1949 to 1955, manufacturing gained 16 points, mining 12 points while commerce and trade only 2 points which brings us to the conclusion that of the three major economic activities above cited, manufacturing definitely contributed the most in relieving the country of the unemployment problem.

Table 22. Number of employed in manufacturing, mining and commerce. (Based on reports of 734 cooperating establishments of the Central Bank of the Philippines).

Year	Manufacturing	Mining	Commerce
1949	55,850	157,780	16,891
1950	54,693	156,941	15,781
1951	55,251	159,057	15,285
1952	55,358	163,508	16,069
1953	60,835	169,859	15,815
1954	64,492	171,235	16,404
1955	64,778	176,615	17,245

While the number of employed in manufacturing increased from 55,850 in 1949 to 64,778 in 1955 or a rise of 16%, in commerce, from 1949 to 1955, only 2% increase in the number of employed was registered. Mining, which is another type of industrial activity, showed better record than commerce in so far as employment is concerned for the above figures gave the percentage of increase of 12% compared with only 2% for trade and commerce.

Table 23. Wage rates of laborers in industrial establishments in Manila.
In Pesos

Year	Skilled	Unskilled	Skilled	Unskilled
1949	7.61	4.90	2.19	1.41
1950	7.60	4.29	2.25	1.27
1951	7.13	4.63	1.98	1.29
1952	7.25	4.95	2.10	1.43
1953	7.40	5.09	2.27	1.56
1954	7.44	5.03	2.20	1.56
1955	7.44	5.18	2.33	1.62

Not only has the manufacturing industries played a potent role in the solution of unemployment but the minimum wage law for industrial workers has been strictly and consistently adhered to by Philippine industry as shown by the fact that for unskilled workers, the wage rates range from P4.29 to P5.18 per day and for skilled workers, from P7.13 to P7.61 per day.

From the point of view of real wages, the same figures show that for unskilled workers, the real wage was P1.41 in 1949 as against P1.62 in 1955 or an increase of P0.21 per day and for skilled workers, the real wage was P2.19 in 1949 as against P2.33 in 1955 or an increase of P0.14 per day, thus cushioning the impact of rising cost of living.

Table 24. Number of industrial workers employed by the 1,642 producers and manufacturers in 1954 classified by nationality. (Producers' Quota Revision, Central Bank of the Philippines)

Filipino	100,882
American	30,261
Chinese	21,077
British	1,640
Others	13,559
Total	**167,419**

Table 25. Amount of annual wages spent by the 1,642 producers & manufacturers in 1954. Same source as Table 24.

Filipino	P143,594,797.36
American	66,098,969.20
Chinese	29,092,834.97
British	2,111,409.13
Others	24,433,941.73
Total	**P265,331,952.39**

Producers and manufacturers who are quota holders employed 167,419 employees and industrial workers in 1954 whose dependents would aggregate over one million people. In wages alone the amount of P265,331,952.39 were spent for these workers and employees.

This enormous amount of money that went into the pockets of workers and employees had bolstered their purchasing power tremendously and has certainly benefited other segments of our economy.

Table 26. Number of establishments and workers by industry group in 1955 employing five or more workers. (Directory of Key establishments published by the National Employment Service & The Labor Statistics and Research Division of the Department of Labor).

Industry Group	Establishments	Workers	%
Manufacturing	7,789	210,800	51.0
Transportation, communication & storage	650	47,000	11.0
Wholesale trade	1,941	36,700	9.0
Retail trade	3,423	29,300	7.0
Mining & quarrying	65	26,300	6.0
Construction	124	15,900	4.0
Forestry & logging	293	15,300	4.0
Fishing	509	14,400	3.0
Banks, insurance & real estate	207	11,300	3.0
Electricity, water & gas	234	8,400	2.0
Totals	**15,235**	**415,400**	**100.0**

Out of the 15,235 establishments surveyed by the Department of Labor in 1955 with the cooperation of the National Economic Council, 415,000 people were given work by these establishments, and manufacturing gave 210,800 workers with jobs or is equivalent to 51.0 percent of the total employment as against 11% for transportation, communication and storage, 9% for wholesale trade, 7% for retail trade, 6% for mining and quarrying, 4% for construction, 4% for forestry and logging, 3% for fishing, 3% for banks, insurance and real estate and 2% for electricity, gas and water.

It can be seen that manufacturing is way up in the ladder of providing employment for our people. All the industries listed in the above statistical table combined together provided jobs less in number than what manufacturing industry has provided. It is estimated that the people directly or indirectly dependent upon the 210,800 industrial workers employed in the manufacturing would aggregate more than 2 million people. With this result of the survey of the Department of Labor and the National Economic Council, there can be no contradiction to the statement that manufacturing at present occupies a position of relative importance in our national economy and plays a vital role in our economic development, particularly in providing jobs for our unemployed people.

If we compute the earnings of these 210,800 industrial workers on the basis of P1,168 per capita wage per year (Producers Quota Revision Report of the Central Bank of the Philippines), it would represent a staggering amount of P246,214,400 in wages alone.

OTHER ASSETS OF PHILIPPINE INDUSTRY

In the 1938 census, the total assets of all manufacturing establishments in the Philippines amounted to P265 million only, of which P133 million were in the form of machinery and equipment. All these assets were destroyed during the war.

Philippine industry therefore had to begin from the scratch in establishing its plants, factory equipment and machinery in order that it could operate. The following figures on investment in machinery, equipment and capital goods are presented to show the efforts exerted by Philippine industry in increasing the national productivity to strengthen our economic position and raise living standards.

Purchase or acquisition of machinery, equipment and other capital goods for productive purposes is considered investment spending as differentiated from consumers spending. It has a long-run effect on employment and growth that consumer spending does not have. When investors buy additional million pesos worth of plant and machinery, the plant and equipment become available thereafter as part of the nation's productive facilities. People can be given jobs in the new plants using the new equipment. The nation is strengthened and standards of living can be raised as a result of such increased productive capacity and related advantages.

Despite limited capital, manufacturing industries have been purchasing and acquiring capital goods, machinery and equipment to augment national productivity. Modernization of equipment has been and is being assiduously carried out.

Table 27. Gross domestic investment in durable (capital) equipment.

Year	Amount
1952	P160,400,000
1953	211,600,000
1954	250,000,000
1955	286,100,000
Total	**P908,100,000**

From 1952 to 1955, P908,100,000 have been invested in durable equipment. Gross domestic investment in durable goods jumped from P160,400,000 in 1952 to P286,100,000 in 1955 or an advance of P125,700,000 within a period of 4 years.

Foreign trade statistics further show that importation of capital goods has gained momentum since 1949. From P95 million in 1950, capital goods importation climbed to P183,900,000 as indicated in the following Table 28.

Table 28. Capital goods imported. F.O.B. Pesos.

Year	Amount
1949	P122,900,000
1950	95,200,000
1951	113,900,000
1952	151,600,000
1953	166,200,000
1954	183,900,000

In a survey of 1,642 producers and manufacturers by the Central Bank in connection with dollar quota allocation, it has been disclosed that the amount of P470,755,769.51 has been spent for the purchase of machinery and equipment for the use of the following industrial groups.

Table 29. Value of machinery equipment purchased by the 1,642 producers and manufacturers in 1954. (Producers' Quota Revision Report, Central Bank of the Philippines).

Industrial Group	Amount
Agriculture, mining, food manufactures, and and quarrying	P175,537,842.09
Metal products, machinery, transportation equip. electricity, gas & steam	124,912,608.73
Transport, communication services, storage and other industries	61,577,213.81
Wood cork, furniture, paper & pulp, printing and publishing, non-metallic prod.	36,793,565.91
Textiles, wearing apparel and made-up textile articles	33,161,313.63
Chemicals, medicinal and pharmaceutical products, drugs, tobacco & beverage	29,887,751.61
Footwear, rubber and leather products and plastics	8,885,473.73
Total	**P470,755,769.51**

Instrumental in the up-trend of net income derived from manufacturing is the increased purchases of new capital equipment and machinery according to the Central Bank's Annual Report in 1954.

FOREIGN EXCHANGE SAVINGS

Table 29-A. Amount of local raw materials consumed by the 1,642 producers and manufacturers in 1954. (Producers' Quota Revision Report of the Central Bank of the P.I.) By industrial group.

Industrial Group	Amount
Chemicals, medicinal, pharmaceuticals, drugs, tobacco and beverages	P 94,452,257.14
Agricultural, mining, quarrying and food manufactures	51,758,263.28
Textile, wearing apparel and made-up textile articles	13,106,532.54
Wood, cork, furniture, paper & pulp, printing and publishing & non-metallic product	10,747,372.85
Metal products, basic metals, machinery, transport equip. construction, electricity, gas and steam	7,449,097.73
Footwear, rubber and leather prod. and plastics	4,370,038.37
Transportation, communication, storage and etc.	819,200.49
Total	**P182,702,762.40**

Manufacturing industries have been and are invariably utilizing local raw materials to supplement imported raw materials to produce finished products. In 1954, an amount of P182,702,762.40 has been spent by producers and manufacturers numbering 1,642 for the purchase of local raw materials. These materials would otherwise have been wasted and we would have been faced with the necessity of importing more finished products from abroad had local industries not utilized them for their manufactures. This amount can be considered as a substantial savings in our foreign exchange reserves.

In addition to the advantage of conserving our international reserves, utilization of local raw materials has given incalculable benefits to our rural population as they are the ones responsible in making these materials available for our industrial plants. The money they received or the wages paid for gathering and extracting them represents considerable amount in augmenting their income, thus bolstering their purchasing power aside from providing them with some kind of employment.

NET PROFITS AND TAXES

Table 30. Net profits realized by 1,642 producers and manufacturers in 1954. (Producers' Quota Revision Report, Central Bank of P. I.) By industrial group.

Industrial Group	Amount
Chemicals, medicinal, pharmaceutical, drugs, tobacco and beverages	P 32,936,449.33
Agricultural, mining, quarrying and food manufactures	24,227,262.57
Metal products, machinery, transp. equip., construction, elec. gas and steam	23,828,393.32
Textile, wearing apparel and made-up textile articles	12,547,117.77
Transportation, communication, storage, etc.	9,197,267.40
Wood, cork, furniture, paper and pulp, printing & non-metallic products	8,663,596.91
Footwear, rubber & leather prod., plastics	4,895,220.28
Total	P116,295,307.58

Table 31. Taxes paid by 1,642 producers and manufacturers in 1954. (Producers' Quota Revision Report, Central Bank of P. I.) By industrial group.

Industrial Group	Amount
Chemicals, Pharmaceuticals, drugs, tobacco and beverages	P27,495,559.47
Agricultural, mining, quarrying and food manufactures	15,148,511.65
Metal products, machinery, transp. equip. construction, electricity, gas and steam	4,359,425.15
Textiles, wearing apparel and made-up textile articles	3,694,602.79
Transportation, communication, storage, warehousing and etc.	3,529,163.56
Wood, cork, furniture, paper & pulp, printing, non-metallic products	2,870,434.00
Footwear, rubber & leather prod., plastics	1,247,182.65
Total	P58,344,879.27

Our local manufacturers are being unjustly criticized for seeking excessive profits. The above figures of the Central Bank show that out of net sales of P1,560,000,000, Philippine industries realized a net profit of only P116,000,000 or roughly 8% which is very reasonable considering the amount of investment and the risky ventures in industrial enterprises.

The same figures indicate that these industries have paid the government P58,000,000 in taxes which do not yet include percentage taxes. Practically 50% of the net profits of the said industries went back to the government as taxes.

The best tax-payers are the manufacturers of chemicals and pharmaceutical products, drugs, tobacco and beverages. The same report of the Central Bank shows that the Filipinos are the heaviest tax-payers as indicated below:

Nationality	Amount paid
Filipino	P35,722,964.99
American	12,948,086.89
Chinese	3,924,497.96
British	52,799.87
Others	5,696,529.56
Total	P58,344,879.27

RESPONSIBILITIES

The problems of industrialization are manifold. To solve effectively the most important problems that beset our manufacturing industries, it is imperative that there should be full cooperation among the three sections of our population, namely, the (1) consumers, (2) the government and (3) the producers or manufacturers.

The consuming public has continually complained of higher-priced goods and of inferior quality. For half a century our consumption habits have been moulded by the American commodities that have been flooding the country. We have learned to look down upon the products of our fellow-nationals. It is true that we have to pay more initially for locally-produced articles but in the long run our manufacturers, with experience and with greater support from the national market, will be able to produce goods at lower price and with better quality. We should learn how to look with pride on the commodities produced by our fellow-nationals. Whenever imported goods are in short supply, we must intensify our educational efforts by showing to the public how local products can adequately take the place of imported ones. After all, did we not survive the absence of American goods during the Japanese.

The government plays a very important role in the acceleration of the tempo of our industrial development. It is the pace-setter and must provide the necessary leadership and statesmanship in order to give industry the proper atmosphere for development and progress. The government must be firm in its determination to pursue economic objectives set forth. Vacillation and yielding to pressures by interested groups would provide conditions whereby Filipino industrialists would not know how to plan and to dovetail their activities with shifting national policy. The government must lay down basic policies in order to provide adequate incentives, protect emerging industries, give already existing ones the necessary opportunity for optimum growth and lay down a system of priorties and an allocation of resources in such a way that the greatest number are rightly served. In this connection, the government must discharge efficiently the administration of controls, tariff protection and of tax exemption and other incentives to growing industries. Finally, the government should seek ways and means of surmounting the inflexibility of our credit facilities in accordance with our developing industrial life.

The manufacturers should instill in their hearts the idea of sacrifice and public service. During the initial phase of our industrialization, quick and enormous profits are not the order of the day. The opportunists who find in our industrialization the opportunity to pile up excessive and unjustified profits to the detriment of the consumer have no place in this program. Our producers must realize that they have to make present sacrifices in order to be sure of a prosperous future characterized by expanding opportunities. It should be their obession to cut down costs and improve the quality of their products. They have the responsibility of filling the void created by the limitation on the entry of foreign-made goods.

In short, the consuming public, the government and the producer have a common task. This task is to attain industrialization in the swiftest possible time. Greater demand will result in better quality. And as long as we can provide food, shelter and clothing to the people from our efforts, we shall have a great opportunity of survival. The government must have determination. Both the government and the consuming public must realize that we cannot industrialize overnight and attain industrial conditions quickly. Impatience would spoil our chances. The future salvation of the nation is at stake and not the convenience of the present. We cannot toy with economic survival.

(To be Continued)

Development Progress in Sarawak in 1957

New Development Board

The new Constitution of Sarawak came into effect during the course of 1957 and consequently the term of office of the old Development Board appointed in 1951 came to an end. A new Board was appointed by the Governor consisting of four official and seven unofficial members. The unofficial members appointed are all members of Council Negri. The following are the Board's terms of reference:— (i) To keep under constant review all forms of development in the Colony and to plan for future development. (ii) To recommend such changes in the development programme as may be required from time to time in the light of development work which is necessary and desirable, but which is not provided in the Development Plan, and in the light of an annual progress report prepared by the Development Secretary. (iii) To make recommendations as to any expenditure not already sanctioned in principle by the Council Negri, and which is so urgently required that it cannot await the approval of the Council Negri.

1955-1960 Development Plan

The Development Plan was revised on 18th July, 1957. It was not a complete review but a revision to bring into one document amendments made and approved since the plan was drawn up in 1954. Total expenditure on Development up to the end of 1956 wa shown to amount to $65,169,709. Out of this total the sum of $6,589,685 consisted of advances made against loans to be raised. Expenditure for the years 1957-1960 was estimated at $105,639,447 and the anticipated revenue, including loans of $19,410,315, amounted to $103,234,515, leaving an estimated deficit of $2,404,932. It is anticipated that by the end of 1960 it will have been necessary to raise a total of $26,000,000 by loans to clear the advances already made and to finance other schemes.

Further capital expenditure for the years 1961-1965 is estimated at $61,415,000 with further residual expenditure by the end of 1956 amounting to $2,114,000. This is not a complete list of schemes for the period but assessment of the minimum expenditure required to meet apparent needs. There has been a large increase in the total provided for the important Rubber Replanting Scheme. It is hoped to replant 15,000 to 20,000 acres during the period 1955-1960 at a cost of $7,000,000 and a further 15,000 acres during the period 1961-1965 at a cost of $5,000,000.

The proportionate breakdown for the main types of scheme is as follows:—Economic Schemes 55.64%, Social Services 34.16%, Miscellaneous 10.20%.

The Financial Problem

In the past finance has not been a serious problem for development since there were accumulated surplus balances and expenditure was at a slow rate. Finance is now beginning to become a problem. There has been a considerable improvement in the staffing situation and the rate of expenditure is increasing. The question of finance has started to give cause for concern and must continue to do so. In the past development has been almost entirely paid for from revenue surpluses derived from a series of booms in agricultural produce. High prices for rubber and pepper have produced large sums in export duties and the internal purchasing power which those high prices have engendered has resulted in a correspondingly high rate of imports and large revenues from import duties. World prices for all agricultural produce are now considerably lower and there are no signs of any marked improvement. Sarawak is also lacking in mineral wealth. Revenues are no longer buoyant and there is every likelihood that they will fall.

It is reasonable and understandable that the people of Sarawak should want better social services and there is plenty of room for improvement in those services. But unless increases in expenditure are matched by corresponding increases in productive capacity, there is a danger that Sarawak will be found to be living beyond its means and that eventually a painful period of downward readjustment may be necessary. It is hoped that such readjustment may be avoided but it is essential that the problem of relating productivity to expenditure should be fully appreciated in Sarawak. A businessman whose business and profits are declining cannot well afford to buy himself an expensive new set of furniture for his house, a radio gramophone, a large refrigerator, a Cadillac car and two new speedboats and also send his numerous children to England and Australia for their education. He should instead pay more attention to his business, make it more efficient and expand his turnover. The Development problems of Sarawak are of rather a similar nature. It is essential to give priority to economic development schemes which will assist directly or indirectly to increase production.

Agriculture

The policy of concentrating on pig farming as the main line of animal husbandry work continued during 1957 and increased numbers of breeding pigs were issued to farmers from piggeries of the Department of Agriculture as a result. To supplement existing breeding stock, small scale purchases of pigs were made from Malaya and Singapore. The Veterinary Clinic, which was opened towards the end of 1956, was in full operation and it was possible to handle a greatly increased number of laboratory examinations as well as to expand the treatment of sick animals.

Concentrated propaganda aimed at disseminating a wider knowledge of the Rubber Planting Scheme, its ultimate intentions, and the material benefits to be enjoyed therefrom, produced a remarkable increase in subsidy applications in 1957. These amounted to well over five times as many as those received and approved in the previous year, and at 31st December, 1957, official approvals had been given covering well over 16,000 acres. Consistent with this increased active interest, the value of the Rubber Planting Scheme within the Development Plan (1955-1960) was raised to $7,000,000.

Broadcasting

Good progress was made on the scheme for extending and reconstructing Radio Sarawak. The scheme will be completed early in 1958 and will provide Sarawak with broadcasting facilities second to none in South East Asia.

Civil Aviation

Work on the Simanggang Airfield was nearly completed during the year and provides this hitherto isolated station with an airfield which will be suitable for all feeder aircraft. Work also commenced on feeder airstrips for Mukah, Marudi and Long Akah. The small airstrips at Long Atip, Bah Kelalan and Bareo were improved and investigations for a number of additional airfields undertaken. The extension of the Sibu airfield continues slowly. It is not possible to make rapid progress here due to the need to allow the fill to settle. An investigation was undertaken by the Public Works Department as to the possibility of extending Kuching airfield. Given the finance there would be no difficulty in extending the runway to 2,000 yards to enable Kuching to accept four-engined aircraft.

Funds were made available during the year in collaboration with the Governments of North Borneo and Brunei to provide for the purchase of two Twin Pioneer aircraft for use on the internal air services in 1958. Arrangements were also made during the year for these services to be operated by a newly constituted company known as Borneo Airways, the shares of which are held by the three Governments and the British Overseas Airways Corporation. Borneo Airways is the successor of Sabah Airways and has also acquired the assets of the Malayan Feeder Service in Borneo. The new Company will expand and develop the internal air services and it is hoped that by using aircraft with short take-off characteristics such as the Twin Pioneer, it will be possible to provide services to various places in the three territories which, at present, lack such facilities.

Community Development

The Rural Improvement School, Kanowit, (Sea Dayak) was closed in April. It will be converted to a Secondary School in 1958. Financial assistance for community development at Muara Tuang (Malay), Samarahan River, and the Heng Hua Fishermen's Housing Scheme, Sungei Apong, also ceased. Such Government assistance as may in future be rendered will be given through the Administration. The Budu Scheme (Sea Dayak), Kalaka District, entered its Second Phase by reducing the number of expatriate assistants from three to one, and devolving increased authority upon the local Progress Society, the Committee of which is now recognised as a Village or Parish Committee of the Kalaka District Council. The Progress Society, largely at its own expense, sent young people for training as future executives: one to Malaya, two to Kuching and seven to the United Kingdom. An extension of the Budu Scheme to the Entabai River in Upper Kanowit District has begun. A doctor and mechanic have joined the team for this scheme. Team leaders will continue to pay some attention to Budu from Entabai. The Padawan Scheme (Land Dayak), Ulu Sarawak, began in January and has already effected changes in the mentality of this depressed community. Kampong Progress Committees have built good paths and bridges, contributed materials and much labour to build the Community Development Centre which has clinic, workshop, boarding houses, class rooms, gardens and playing fields, and have in many cases reallocated land holdings to facilitate rubber and other crop plantings. The economic and cultural improvement of the hill Land Dayaks presents many unsolved problems.

The Ulu Baram is served by a more conventional scheme, a farm and craft-training centre for up-country artisans. Twenty-five post Primary IV boys here take a two-year residential course. Plant and tools provided by the Australian Government under the Colombo Plan are expected. Much more attention has been paid to women and girls, not only in the multi-purpose schemes but by exclusively feminine training at Kanowit and Kuching. Throughout the year the Homecraft Department of the Rural Improvement School has continued, latterly under supervision of the District Officer. It passed out every six weeks an average of twenty-four longhouse girls after four weeks' training in knowledge and skills useful to the young housewife and mother. This is having good effect on local Dayak homelife. Meanwhile a dozen young country women were trained in Kuching to conduct homecraft classes in their home villages.

Community Development funds assist the work of the Sarawak Council for Adult Education. There were about 1,500 enrolled in Adult Education classes throughout the year, mostly in Kuching. A portion of the funds is reserved for outstation classes. Preliminary investigations, which it is hoped will lead to community development among the Melanau people, were made and will shortly be followed up.

Education

Educational results in the secondary schools are steadily improving and consequently increased numbers of suitable candidates for University courses are now coming forward. The main difficulty here is that most candidates wish to read Engineering or Medicine and there is relatively little interest taken in important subjects such as Arts courses leading to Public Administration and Agriculture. Such over-popularity of certain subjects is liable to have an unbalancing effect on the training of Sarawak boys and girls for the public service. There are at present about 120 Government sponsored students overseas. The Government Secondary school program did not progress as rapidly as had been hoped. With the aid of a very valuable and experienced team of teachers whose services were made available by the New Zealand Government, the Miri Secondary School was established at the beginning of the year. Good progress was made on the academic side but the construction of permanent buildings at Tanjong Lobang was slow. Work also commenced on the buildings for the 24th Mile Secondary School but this will not be opened until 1959. It was decided during the year to convert the Rural Improvement School at Kanowit into a Secondary School. The necessary arrangements were made to open the school in 1958. The buildings for the Sibu Chinese Teachers' Training Centre were almost completed during the year and the Centre is functioning very well. With the 1958 intake the centre will be full with 104 students and the competition for places is very keen. Construction was commenced during the year of the buildings for a Government Primary School at Lutong.

Forestry

Development objectives in Forestry are the enlargement of the permanent forest estate by constituting forest reserves and protected forests; and an inventory and stock-mapping of these permanent forests to develop them under proper systems of management. Progress is satisfactory; far more rapid in fact than was originally planned. The Forestry Development Plan (1950-1959) visualised progress in forest reservation at an average annual rate of 360 square miles. During the period 1950-1957 inclusive a total area of 7,497 square miles of permanent forests was constituted, giving an average of 937 square miles per year. By the end of 1957 management plans covered 1,033 square miles of permanent forest and others are in course of preparation.

Geological

1957 was a record year. Geological mapping of over 19,000 square miles was completed and the reports and maps published. Excellent progress with geological and mineral resources investigations continued and much new scientific knowledge was acquired and applied to assist economic development. The year was significant as the regional geological maps and memoirs published now make information available for more than half of Sarawak and investigations were also started over the remaining unknown areas. Two memoirs with colored maps describing the geology of over 19,000 square miles were completed; several reports were issued, and three research papers were read at international scientific meetings. A detailed coloured map showing the geology of Borneo was published; it incorporates previous work and recent unpublished findings. Three geologists are at present mapping more than 20,000 square miles of country. Another geologist obtained his doctorate, bringing the total to six out of seven geologists on the survey to hold doctorates—a very high proportion. Glassy meteorites (tektites) were found.

Economic aspects of geological work are as follows. The search by Sarawak Oilfields Limited for new oilfields in the continental shelf beneath the South China Sea continued. Two deep tests drilled off the Sarawak coast at Siwa, reaching a depth of nearly 1½ miles, did not find oil although they penetrated rocks of the same age and type as those which contain oil at Miri field. A mobile ocean drilling barge is being built for future exploration. Shelf areas adjacent to Sarawak cover an estimated 55,000 square miles on which a number of untested structures are known. *Bauxite.* Arrangements for mining at Sematan, west Sarawak, were completed and initially about 180,000 tons of ore will be shipped annually. About 6,000,000 long tons of bauxite in twenty occurrences has been found to date; three deposits, however, contain some 5,500,000 tons and are the only ones, on present knowledge, worth mining. Prospecting of the other occurrences is worthwhile. *Stone* production reached about 111,000 cubic yards worth nearly M.$1,000,000; the search for supplies is often dull geologically but such materials are vital for development. About half of this stone came from quarries opened on geological advice and was used for new roads; if imported from Hongkong and Singapore, as it was a few years ago and still is in decreasing amounts, this would have cost several hundred thousand dollars more. First grade glass-sand was discovered in the Bintulu area. *Gold.* Four mines produced 883 ounces worth M.$91,096. To help the industry a survey was started to determine areas with mining possibilities, and arrangements were made for the gold separation process from the complex ore to be investigated to see whether new knowledge could be applied to give a better yield. *Antimony.* New occurrences of antimony were found and old ones examined in east Sarawak, but none appears worth mining. *Cement.* Limestone, as large accessible deposits in east Sarawak, has a composition suitable for making Portland cement. Near Brunei natural gas is available, and a search for suitable clay for mixing with the limestone is being made. British Borneo cement imports in 1956 were 90,115 tons costing nearly M.$8,500,000.

Housing

Work continued on the Kuching Housing Scheme and it will at last be completed during the course of 1958. The housing provided in Kuching undoubtedly fills a need but in the light of existing resources it will not be possible to finance any schemes of this nature in the capital. The scheme has proved far more expensive than originally envisaged and such projects involve the tying up of very large capital sums which are of direct benefit to only a small number of people. In future it is intended to devote more attention to Home Ownership schemes and $2,500,000 is being made available for this purpose under the revision of the 1955-1960 Development Plan. The Miri Housing Scheme received a severe setback when the Miri Urban District Council refused to take over the Housing Estate for administrative purposes as originally proposed. Steps are now being taken to sell the ninety-two housing units which have been built there. Work on the Sibu Housing Scheme has not yet commenced but a site on the Bukit Lima area has been purchased.

There have been many developments of land for building and settlement. Medical services expanded greatly.

Port Development

In Sibu the reinforced concrete wharf was completed and quayside lanterns installed. Two of the three godowns have been completed and work commenced on the third one. 2,250 feet of river wall have been completed and work has commenced on additional Chinese launch wharves. Work on the Miri coastal shipping wharf commenced but had not been completed by the end of the year. The new Kuala Baram wharf, with a 200 feet long reinforced concrete approach and timber wharf head, was nearing completion. In Kuching a layout for the new port area was prepared by a representative of Messrs. Coode and Partners and tenders for the wharf were called. A number of minor wharves at Simunjan, Lingga, Mukah and Limbang were completed and a contract for the new Marudi wharf was signed. In Simanggang a temporary wharf for unloading stone and a plant landing ramp were completed. Surveys for the proposed new Sarikei wharf were undertaken. Steady progress was made in re-equipping the Brooke Dockyard.

Roads and Bridges

During the year work commenced on the Serian-Simanggang Road. This is being undertaken by the Public Works Department and is by far the largest work of its kind ever attempted by Government in Sarawak. The total cost is estimated at $22,000,000. Good progress was also made on the Sarikei-Binatang Road. Work is progressing from both ends. Work has gone forward on the Fifth Division Secondary roads and the first four miles of the Panderuan Road and the first three miles on the Trusan Road have been completed.

Telecommunications

The Scheme for single channel VHF radio telephone planned in 1952 to provide single channel links between outstations and their respective Divisional Headquarters and Marine Simplex Stations was near completion at the end of 1957. Fifteen stations were installed during the year. It remains to strengthen the existing network by duplication of some junctions with available equipment and completion of sub-zone centres at Saratok, Mukah and Bintulu and Limbang.

The Kuching Automatic Telephone Exchange was extended to 1,000 lines and work on the extension to 2,000 lines commenced in 1957. Extension equipment ordered for Sibu Exchange in 1956 is still under manufacture. The extension will be completed in 1958. Installation work on the 300 line Exchange at Miri commenced in December, 1957. Improvement of the outstation telephone system generally continued throughout the year.

Equipment for a scheme approved in 1956 for the establishment of HF radio links to certain ulu areas was ordered early in 1957 but did not arrive during the year. Completion of the scheme is expected mid 1958. Aeronautical telecommunications facilities at Kuching and Sibu continue to be staffed by Messrs. International Aeradio Limited. It is proposed gradually to replace Company personnel by Posts and Telegraphs staff and it was possible to commence this on a small scale towards the end of the year.

Town Development

In Sibu the extensive works of land reclamation and earth filling continued during the year. The town land which is provided in this manner has a very high value and it has been agreed that land sales, after development work has been completed, should be credited back to the Development Fund and not paid into general revenue as before. Although Sibu town development appears at first sight to be a very costly operation, when revenue from land sales is taken into consideration, it can readily be shown that the operation is, in fact, a very economical one.

In Miri a large number of rather small works have been completed. Earth filling for the new Simunjan Bazaar was about one-third complete by the end of the year while in Lawas the work on the new Bazaar site was 80 per cent complete. It may be noted that Lawas is almost the last of the war devastated bazaars to be rehabilitated. Work on the site of the new Maong Bazaar at the 3rd Mile, Penrissen Road, was almost completed during the year. This new site will enable a bazaar of properly designed shophouses to be built to replace the present collection of ramshackle temporary buildings which sprang up after the war. A considerable programme of work on bazaar roads and drains in various places was also undertaken during the year.

Progress in Brunei

In Miri, in Sarawak, not far from the sea, oil company officials today will show you a rather sad looking oil well on top of a hill among the bushes and scrub. There is a black oily smell around, the wooden superstructure looks somewhat insecure and the pump, operated by an engine of immense age and respectability, wheezes and groans as it drags the oil from thousands of feet below.

It is Miri No. 1 the first oil well ever to be drilled in the vast island of Borneo, close to where many years ago a man with a pick noticed oil oozing from a rock. But this Sarawak field, like oil well Miri No. 1, is now beginning to decline and it is in Brunei, the northern neighbour, that the oil is still flowing strongly and will do for two or three decades at least. It is Brunei that can tell a Cinderella story such as no other country in Asia can match today.

There are only 65,000 people in Brunei, a tiny state ruled by the 41-year-old Sultan of Brunei, who is advised by a British Resident, one of the smallest of the Asian states and per head of population much the richest.

In 1933 Brunei had a revenue of barely £60,000 a year, poor, undeveloped, relying on agriculture for much of its subsistence. Today its revenue is just under £15 millions a year with more than five-sixths coming directly from its flowing oil wells.

But Brunei has shown a wisdom not equalled by many countries with ten times the revenue and population. There are no Cadillacs in Brunei, no lavish palaces built out of the oil bonanza, instead the money is being spent as though it might stop coming tomorrow (an unlikely event) with a sharp eye cocked for inflation.

There is plenty of evidence on the surface of the prosperity that has come to the tiny state, largely since the war. Shops are well stocked, people live well, the health system is excellent and there is a new airport building for the increasing number of aircraft that fly to Brunei, for the roads are still poor. There is also a gold domed, beautifully marbled mosque costing nearly a million pounds which is Brunei's main concession to affluence.

The rest of the money is being spent with great care on improvements which can be extremely difficult. There is not enough labour, the country is thick, solid jungle and hills, and overnight it is difficult for Brunei to provide the technical skill for giant earth moving machines and other modern aids which can slice through the jungle or provide modern amenities which are still lacking. It is a slow process, but Brunei is determined not to hurry and stumble over itself.

Schools, scholarships and free meals have been given an honoured place in the development plan. A radio station is under construction, towns are being rebuilt at Government expense, housing and sewage is planned, and against odds new roads are slowly tracing their way across the rugged state. A typical Brunei snag to the plans of the more airy theorists is that there is no stone suitable for road making.

The problem has been solved by British engineers working out a successful method of stabilising the earth with concrete, providing a good foundation for the top surface.

To share the prosperity, there is an old age pension scheme for all over 60 (an unusual feature in Asia), grants for the blind, the lepers and their dependants. There have been criticisms that Brunei has been slow to put its money to use, but Brunei has the unusual Asian worry of a shortage of labour rather than of finance. The labour could be obtained from neighbouring countries but the policy is not to upset the structure of the country by too much immigration.

Forty miles south of Brunei town is the big Seria oil field, which last year turned out 5,500,000 tons of crude most of which is sent further south for refining before being shipped all over the world. It supplies a sizeable amount of the oil sold in Asia.

The first oil well at Seria came into production in 1928, long after Miri No. 1 had been drilled, and since then 480 have been drilled of which 300 are still producing. They support a miniature town of 6,700 people built by Brunei Shell Petroleum Company for their staff, literally carved out of the jungle which still broods at the edge of the company town, slowly being burnt back by some of the gas flares found on most oil fields.

It has been a major undertaking. Two magnificent clubs, each costing more than £300,000, with swimming pools and restaurants, provide recreation at Seria which is far removed from the film man's idea of an oil field. Most of the staff have been housed in neat concrete houses. Only a very few, and those diminishing, are still in the wooden houses which marked the field's early days. There are cinemas, good roads, a super market run by the company, a company laundry, bakery and hotel—everything that makes a small town. Seria's shopping list is tremendous, ranging from babies' nappies to rugged drilling equipment.

Oil wells, it is true, rhythmically pump beside houses and the drillers go to work in a back garden if they think there is oil there, but in many ways Seria is like any other well-planned, highly modern town.

In the air-conditioned office of the company at Seria, however, there is a question mark over the field. Over £20 millions has been spent since the war looking for more oil, with 38 dry holes drilled, not producing enough to run a sewing machine. Air surveys, electronics and all the skills of modern science have been used to find more oil in the interior without success.

There may, in fact, be no more oil under the land mass of Borneo. Now the search has been turned to the sea and concessions have been taken out to the 600 feet mark. Some wells have been brought in off Seria, but further north, off North Borneo, costly drilling platforms have met with little luck.

Much depends now on a 3,000-ton drilling barge which will arrive from Britain in late 1959. This will carry on the search for oil right out to sea and oilmen, eternally hoping, believe that they will make a strike there.

Brunei, which will get a share of the profits, hopes so too. Wise investments mean that the state will never be Asia's Cinderella again but there is a lot still to be done in ensuring that the 65,000 people of Brunei get the future that their oil has promised them.

The Mekong Project of Vietnam

By Elizabeth Ortiz

Idle and destructive, the Mekong River, one of the world's mightiest, has for centuries been half-scourge, half-blessing to the South-East Asian peoples dwelling on its banks. Now this capricious giant is to be tamed, its vast potential developed for the common good. Under the auspices of the United Nations, plans for the comprehensive development of the lower basin are going ahead.

Following the release in February of the report of the U.N. Technical Assistance Mission headed by Lt-Gen. Raymond A. Wheeler, which made a three-month, on-the-spot survey of the river beginning November of last year, money is already coming in to meet the cost of the first year of investigations recommended by the Mission.

The sum pledged to date stands at 2.45 million dollars, of which the United States has contributed $2 million, France 60 million francs or approximately $143,000, New Zealand $100,000, and the UN Technical Assistance Board, $200,000.

The Mekong, which rises high in the snowy mountains of Tibet and flows through Cambodia, Laos, Thailand and South Viet-Nam to the South China Sea, has 77% of its total drainage area, amounting to 235,000 square miles, in its lower Basin, an area the combined size of Utah and California, or of Afghanistan. It affects vitally the lives of the seventeen million men and women who live in this lower basin.

Its course takes it 2,625 miles through mountain chasms, fertile flat-lands and, despite its perennial snow-fed flow, through drough-stricken barrens. Yet less than three per cent of the cultivated area in the four riparian countries is irrigated. But this picture of resources untapped is soon to change with a development scheme of impressive magnitude. No longer will the whims and vagaries of the Mekong mean the deadly alternation of drought and flood.

The river has long aroused interest. As far back as 1951 the Bureau of Flood Control of the United Nations Economic Commisssion for Asia and the Far East (ECAFE), began investigations and studies of the river, but at that time the unsettled conditions in the area made real work impossible.

In 1955 the importance of developing the Mekong as an international river was reaffirmed at ECAFE's annual session, while in March 1956 the United States International Cooperation Administration (ICA) emphasized the need for the collection of basic data.

Meanwhile, in 1954 the Geneva Accords had been signed, and the three newly independent countries of Laos, Cambodia and South Viet-Nam met with Thailand in 1957. On the basis of the ECAFE report they agreed on the need for co-operative action, setting up a Committee for Coordination of Investigations of the basin, and holding that same year, the committee's first session in Phnom-Penh, capital of Cambodia.

Highest priority was given by the Committee to three projects, originally recommended by ECAFE, and confirmed by the Wheeler Mission's report.

They are the Pa Mong project, which is a dam above Vientiane, capital of Laos, for irrigation, navigation and hydro-electric power; the Sambor project, a dam in the middle reaches of the river, also for multi-purpose development and the Tonle Sap project, the construction of a barrage to regulate the flow of water between the Great Lake, which is a natural reservoir near Phnom Penh and the Mekong River. A trick of nature reverses the flow upstream from river to lake in the rainy season.

Bigger in scope than either the United States' Tennessee Valley Authority or the Snowy River scheme in Australia, now under construction, the Mekong project is expected to take twenty years for full completion.

One of the obvious difficulties is where to start, and it is here that the Wheeler Mission has scored. Its report answers the question with a series of entirely practical suggestions in full detail, even to pricing and tendering.

Just how basic must be these first beginnings can be realized from the fact that in all its 2,625 miles, the Mekong has no single man-made structure spanning it.

Basic hydrological information, a vital preliminary to dam or barrage building, is wholly inadequate in all four riparian countries. There is no accurate profile of the river available, in fact no accurate information on any aspect of the river is available, and maps, aerial surveys and survey boats are all needed. But, urgently, and as a first priority, self-recording automatic gauges have to be installed in key locations both on the main stem and on major tributaries to measure the stream flow.

If this seems a niggling beginning to so titanic a project, it must be remembered that errors in stream flow can and have led to the building of multi-million dollar dams that have been swept away in the first big rains, and of bridges that have found themselves with no river to span.

Second priority operations call for aerial mapping on the Mekong from the Burma border to Luang Prabang, from Nong Kai to Takhek and from Pakse to Kinak, as well as some mapping of the tributaries of Nam Ou, Nam Seng, Nam Theum, Se Bang Kieng in Laos, and Nam Chi and Nam Mune in Thailand. Aerial mapping is also asked for the tributaries of Se San and Se Khong in Cambodia. Canada is interested in undertaking this task.

This data-gathering period will last, in all, five years, and will cost an estimated $9,200,000. Work has already begun.

At the end of this period it will be possible to go ahead with the actual construction of the three top priority projects at Pa Mong, Sambor and Tonle Sap. Simultaneously will come the building of hydroelectric plants and bridges, while work will go ahead to increase the navigability of the river. Private engineering firms are expected to tackle the actual construction task.

To the seventeen million river folk this will mean an upgrading of their standard of living, as well as increased prosperity to their four countries. The area of arable land will be extended and irrigation will improve rice crops, as well as saving them from spot droughts during the vital growing season.

Expert estimate that by building storage barrages irrigation facilities could be provided for an area of about 23 million acres, more than the total area now under cultivation.

It will also be possible to diversify crop production, developing such others as maize, cotton, tobacco, soyabeans and peanuts, and freeing the area from the curse of the one crop economy—rice—that has plagued it for centuries.

There will be cheap electricity, an absolute necessity for industrial development, since it has been estimated that the basin could provide more than four million kilowatts a year of hydroelectric power. Eventually the river, through its major course in the basin, will be navigable. This development of inland navigation is important to all the countries, but it is of special importance to landlocked Laos, giving this country access to the sea.

During the five-year period of the collection of basic engineering data other related and special studies will be going ahead. The United Nations Food and Agricultural Organization (FAO) has already sent a team to the area to get the spade work done. This kind of comprehensive long-range planning should mean fewer bugs in the final scheme; and in the long run, a speedier achievement.

Timber, for example, offers tremendous possibilities. Forests of both hard and soft wood covering vast areas of Cambodia, Laos and Viet-Nam, are considered the principal asset of the three countries. Without anticipating the findings of the experts, it is clear that these forests, at present almost totally unexploited, can become an important source of wealth when allied with cheap power and a navigable river.

Again, power and transportation are the keys to unlocking the mineral wealth of the area, in which deposits are believed to be both extensive and varied, including iron and other metallic ores, bauxite, gypsum, phosphate and rocksalt.

A transportation study for Laos has already been completed outside the United Nations, and a similar study was recently authorized for Thailand. These studies will be co-ordinated with both the ECAFE and ICA reports, and fitted in to the over-all plan, so that waterways, highways, railways and airways will all contribute to the development of the riparians.

While the over-all planning looks fine, there are some special problems. In Cambodia it is ironical that man's own ingenuity is the trouble. The Cambodians are worried about their fish business, which is at present both their main industry and their main export. Long ago they learned to live with the floods they could not control, and as their rice crops disappeared under the swirling waters, they set about fish farming. Now they wonder if flood control will give them back their rice crops, but destroy their harvest of fish. It is this sort of problem that only planning can solve—and here are others.

Viet-Nam is worried about the possible incursion of sea water into the rich agricultural lands of the Delta as a result of an over-enthusiastic approach. Excessive damming, irrigation and flood control could reduce the river level to the point where the sea would flow into the river mouth and salt up the delta lands. Certainly without accurate knowledge of the stream flow, it would be impossible to solve this type of problem.

Actually, Vietnam is in an unique position regarding the Mekong. The river is navigable throughout the territory, and there are few floods or droughts to bedevil the farmers. However, Viet-Nam, though it will not be one of the major or immediate beneficiaries, approaches the plan in a spirit of partnership and is prepared for the long haul. Eventually hydroelectric power will be a worthwhile gain, and benefits will pile up in time. Saigon will become an increasingly important port. Laos, faced with the problem of drought in the Vientiane plain, needs special help, and has asked that any irrigation scheme take into account the Mekong tributaries in her area.

For Thailand the harnessing of the river can mean an end to the year-in, year-out tragedy of drought in the semi-arid North-Eastern part of the country.

Another, different problem also has to be taken into account. For, as General Wheeler has said, it is not possible to forget that the Mekong rises in Tibet, and therefore its upper basin, above Laos, is in Red Chinese territory.

Yet another problem of non-technical nature that has to be faced is the inevitable one of where the money is coming from. During the five-year period of basic investigations it is hoped that world interest will be awakened for the second phase, solving the financial problem. One way would be a large World Bank loan, and there is the new UN Special Projects Fund, set up by the UN General Assembly in December of last year.

Perhaps the most exciting and hopeful aspect of the Mekong project lies in the spirit of cooperation shown by the four riparians. In asking for the United Nations survey, and in looking towards the development of the river on an international basis, the four countries have shown tremendous vision.

Because of sharply differing conditions, their interests also differ sharply, with some more interested in navigation, while others stress irrigation or power development. Yet they are pulling together with resolution, in the knowledge that a comprehensive plan of development will be to the benefit of all and to the detriment of none.

As Mr. C. V. Narasimhan, Executive Secretary of ECAFE said: "I do not think it would be an exaggeration to say that if things go forward in the Mekong project as smoothly as they have gone till now, a real economic revolution will have begun in this part of South-East Asia."

Hongkong Notes and Reports

UK Parliamentary Delegation

Five British Parliamentarians representing the United Kingdom Branch of the Commonwealth Parliamentary Association came here last Thursday for a two weeks' stay. They are here as the guests of the Hongkong Branch of the Commonwealth Parliamentary Association. The members of the visiting delegation are the Rt. Hon. R. H. Turton, M.C., M.P. for Thirsk and Malton (Conservative); Mr. Hervey Rhodes, D.F.C., M.P. for Ashton-under-Lyne (Labour); Mr. Alan Green, M.P. for Preston, South (Conservative); Mr. Sydney Irving, M.P. for Dartford, Kent (Labour and Co-operative); and the Rt. Hon. Lord Rea, O.B.E., (Liberal). Mr. Turton is the Leader of ths delegation and Mr. Rhodes is the Deputy Leader.

The purpose of this tour is to enable the Parliamentarians to familiarise themselves with as many aspects of Hongkong life as possible. The visiting Parliamentarians will therefore have a busy programme during their stay in Hongkong. They will meet citizens representing a wide range of interests and activities in the Colony. Their programme includes visits to the University, schools, hospitals and health clinics, co-operative undertakings, model housing and resettlement estates, agricultural projects, factories, social welfare organisations, etc. The party will spend one week-end in Macao. They are due to return to the United Kingdom on November 13.

In his talk over Radio Hongkong Mr. Turton said that when they return to London they will be able to put to good use the knowledge which they have acquired here, and when Hongkong matters are raised in Parliament they will be able to look at the Colony's problems with sympathy and fuller understanding. Welcoming the British parliamentarians, the South China Morning Post said in an editorial: "The day has long passed since Hongkong had reason to feel that it scarcely existed in the minds of British parliamentarians; to-day at Westminster it has become the focus of much attention, some of it admittedly critical and unsympathetic, but, as Lord Northcliffe once observed, "It is better to be abused than ignored." And in the case of our present visitors they come here with open minds, clearly indicating their mission is to learn something. Hongkong, on its part, will welcome from them critical observations, being thoroughly aware that we are not beyond reproach, and highly conscious of the imperfections of the system which strives to improve, as well as to protect, the welfare of the whole community.....Hongkong has been able to note, with some pleasure, that more than one M.P., at one time hypercritical in his ignorance of the real state of affairs in this part of the world, has, after seeing something—however little—of the Colony, found it possible to temper his criticism with sympathetic appreciation of the realities of the situation in Hongkong. The Colony seeks not praise, but understanding. Our difficulties are immense by any standards; our resources for resolving them limited. Nor is the overall problem made any easier when our interests clash with those in Britain, as in the case of the textile industry.

"It is possible to express admiration for the thoroughness with which our parliamentary guests intend to survey Hongkong, with visits to hospitals, educational institutions, factories, agricultural centres, housing estates and resettlement areas. From all this they are promised a rich harvest of knowledge; from these investigations also they will discover that virtually all of Hongkong's problems are inter-related, and that they all call for simultaneous treatment even though this has to vary in emphasis. Socially the basic problem is that of People, from which stem the difficulties of adequately providing necessities such as water, housing, medical services, educational facilities, employment and acceptable living standards. Economically the big problem which has had to be tackled, and is still in the process of being met, is that of readjusting the foundation of the Colony's economy from entrepot to industry, a change principally necessitated by events over which Hongkong has at no time possessed any control. External pressures, which begat their own internal pressures, have completely changed the whole social and economic fabric of Hongkong, and in so doing have created problems unimagined twenty years ago. All this our visitors will be able to discover for themselves, and we are confident that when their tour has ended they will appreciate that while more can and must be done, the already accomplished is not to be discounted."

Hongkong vs. Lancashire

Details of the new offer made by the Lancashire Cotton Board to HK's proposals on the limitation of shipments of cotton goods from the Colony to the United Kingdom have not yet been disclosed. The Financial Times in London reported: "Uncertainty still persists about the original schemes put forward by both sides although the widely quoted figure of 150 million square yards as an immediate ceiling, rising to 200 million square yards in three years, has never been discredited. It is believed that the Lancashire negotiators are anxious to break down these totals into individual quantities for grey cloth, finished fabrics and garments."

Textile manufacturers here are opposing any further concessions to Lancashire. Hongkong's ceiling proposals, handed to the Lancashire Cotton Board's delegation on October 9th, were reached at the sacrifice of many sectional interests. Local manufacturers therefore consider that the proposals are final.

On October 28th, however, Prime Minister Harold Macmillan told the House of Commons: "The Cotton Board believe these new offers are generous and constitute a fair and reasonable settlement. I trust agreement can now be reached without further delay. I believe that such an agreement is in the best interests, both in the short and long term, to the Hongkong industry." Many local industrialists take this statement as further pressure from London.

In UK, a number of politicians urged the Government to take a more effective step to help Lancashire's cotton industry. A Conservative MP, Mr. John Leavey, pleading in the House of Commons for the Lancashire cotton industry said that it should not be left with the feeling that if Lancashire failed in its negotiations with Hongkong, India and Pakistan over cotton imports it could expect no further help from the British Government. Another MP, Mr. Harry Hynd (Labour), harangued: "Of course we wish the Cotton Board luck in its negotiations with India, Pakistan and Hongkong. But these negotiations have been going on for a long time. After the closing of so many mills it is getting beyond the stage where we can pin our hope on a voluntary agreement being reached."

Mr. Hynd said that with Lancashire mills closing every week it was reasonable to ask the Government to try to put the brakes on, if only temporarily, pending some sort of voluntary agreement or the imposition of controls of some kind. Mr. Ernest Thornton (Labour) believed that one of the difficulties in reaching a voluntary agreement about a ceiling on imports to Britain of cotton piecegoods from Hongkong was the knowledge in Hongkong that the British Government was "leaning more sympathetically towards the Colony than to Lancashire." He therefore asked the Government to make it clear that "if the Hongkong negotiators are not reasonable, then the Government will be prepared to intervene very definitely in this vital matter."

Commercial Broadcasting

Hongkong's first commercial broadcasting station will begin operation before mid-1959. Two 1,000-watt radio transmitters have already arrived from Canada and plans for the $250,000 studio have also been drawn up. The station is being established and will be maintained by the Hongkong Commercial Broadcasting Company Limited. The nominal capital of the company is $3 million and the subscribers are Shum Wai Yau, Charles E. Terry, David Miao, Tang Shiu Kin, Lo Man Wai, Oen Yin Choy and George Ho. According to Mr. Ho, an American film-star William Holden is also a stockholder.

At the end of March this year there were about 66,000 radio receiving sets in the Colony. According to the Postmaster General, who issues receiving licences at $20 per year, the average number of listeners per radio is about 7.3. Most of the listeners are Chinese and the increase in the number during the past ten years is shown below:

Number of Licences Issued

Year	to Chinese listeners	to Non-Chinese listeners	Total
1949	29,976	3,483	33,459
1950	38,858	3,510	42,368
1951	39,706	3,671	43,377
1952	37,909	3,302	41,211
1953	39,374	3,232	42,606
1954	38,735	3,015	41,750
1955	42,799	2,885	45,684
1956	50,390	3,683	54,073
1957	56,850	3,669	60,519
1958	62,648	3,486	66,134

The number of both Chinese and non-Chinese listeners will be greatly increased after the new radio station begins operation. The new station will provide keen competition to the Government operated Radio Hongkong. Mr. Ho revealed that when the Hongkong Commercial Broadcasting Company's station (call sign HCBC) begins operation, there will be a 17-hour daily service in English and Chinese on separate frequencies. At present Radio Hongkong's Chinese Service broadcasts a 17-hour a day programme in four Chinese languages: Cantonese, Kuoyu, Chiuchow and Hakka. The English Service broadcasts for 9½ hours on weekdays, 13 hrs on Saturdays and 15½ hrs on Sundays and Public Holidays. Transmissions on weekdays are divided into three periods, early morning, lunchtime and evening. Although the service is predominantly English, there is a weekly programme in Portuguese and a fortnightly programme in French. An interesting fact in English broadcasting is that nearly 90 per cent of the listeners to the English service are Chinese.

Public Transportation

Hongkong's public transportation facilities are very inadequate at present. Trams and buses are particularly overcrowded during peak hours. On the Kowloon side, however, the situation will soon be greatly improved after the arrival of a fleet of about 70 double-decked buses from the United Kingdom. According to Mr. William Louey, general manager of the Kowloon Motor Bus Company who returned from UK last week, the first batch of the buses he had ordered will reach here in July next year.

At the end of September, there were 743 buses in the Colony, 85 of these were added during the first 9 months this year. In spite of the fact that Hongkong Island is also serviced by 138 tramcars public vehicles on the Island seem to be more crowded than those in Kowloon possibly due to the fact that the business centre is in the City of Victoria.

In view of the natural increase in population by about 8,000 every month, local bus and tramcar companies should double their effort to provide better services to the public.

Export of Torch Cases

Nam Jim Factory, one of Hongkong's leading torch case makers, suspended operation last week. The reasons for the closure of the plant, according to the management, were restrictions against the importation of Hongkong electric torches by many countries and the consequent accumulation of a heavy stock.

The factory was established about 30 years ago. For more than 10 years, it manufactured components of a well-known American brand of electric torches. During the boom years the factory employed well over 1,000 workers. Early this year, the management reduced the number of workers to about 600 and for the past few months working hours had to be cut down on account of the decline in exports.

According to government statistics, exports of electric torches during the first 9 months this year amounted to $22.7 million representing a drop of about 30 per cent from $32.5 million for the corresponding period last year.

Shipbuilding Industry

During the three months ended September 30th., shipyards in the Colony completed or had under construction a total of 72 vessels, including 27 pleasure craft. Vessels completed and delivered included the "C" class "Chefoo," built for the China Navigation Company, two cargo and passenger ships for the Singapore home trade, a small island trade coaster for the Fiji Government and a 90-foot launch for use by the Governor of North Borneo. An auxiliary schooner was also delivered to its owners in Port Adelaide, South Australia.

Under construction at the shipyards were two "Hornet" class racing boats, four vehicular ferries for the Port Commissioner, Penang, and two small port vessels for owners in Guam and Singapore. Work also continued on 17 other specialised ancillary vessels for port and coastal services in Hongkong, Burma, North Borneo, Malaya, Singapore, Australia and New Zealand.

Demand from U.S.A. for pleasure yachts and launches remained keen. One yard which specialises in this work exported four such craft to U.S.A. during the period.

Hongkong Housing Authority

The Housing Authority's North Point Estate now has a population of 12,474 persons. The cost of the estate is about

$32.7 million (the loan from Government to finance the project was $33 million). The Authority's other projects are:

Sai Wan Chuen Estate—The general contract is proceeding satisfactorily, and Blocks A, D, and E have been completed. Blocks B and C have reached 10th and 6th floor height respectively, and are due for completion in February, 1959. The Water Authority has agreed to reduce meter deposits from $40 to $15 per flat, and the fixing fee for each meter from $70 to $15, as was done at North Point. The Jockey Club has offered to build a clinic at the lower end of the approach road: it is not known when work will commence.

So Uk Estate—Site formation work on the So Uk Estate has been hampered by intermittent rainy weather. The period for completion of the contract has been extended. The 86 squatter huts (containing about 1,100 people) outside the north-west and north-east boundaries of the site have been cleared. Mr. Szeto's general and structural plans for Blocks E-I and Mr. Luke's general plans for Blocks P, Q & R have been approved by the P.W.D. Messrs. Chau & Lee's general plans for Blocks A, B, C, D & M have been approved by the P.W.D., and Messrs. Leigh & Orange's plans for Blocks S, T & U have been approved in principle by the Authority. Messrs. Leigh & Orange will shortly go to tender for the piling work on their blocks.

Clearwater Bay Road—Government has approved the grant of the site (of about 20 acres) on the Clearwater Bay Road, north of the airport, to the Authority for development. Alternative schemes are now under consideration, and the engineering requirements investigated by the P.W.D.

Ma Tau Chung—Government has provisionally reserved, for development by the Authority, a site of about 10 acres at Ma Tau Chung. A topographical survey of the site has been completed, and the engineering requirements are being investigated by the P.W.D.

Finance—The Authority now owes Government $46,006,853.82, the major proportion of which has been spent on the North Point Estate. Interest payments to Government are running at an average of $141,800 a month, and interest on the North Point capital loan amounting to $572,107.30 has already been paid.

Land Sales

Two lots of Crown land officially known as the Yau Tong Marine Lot, each of about 12,500 square feet, were auctioned off for $97,000 and $99,000 respectively last week. The sites situated at Kwong Tong Tsai Wan (Yau Tong Bay), are for shipbuilding, sawmill and timberyard only. Mr. Wong Wing-kit, of Wing Cheong Engineering Shipyard, bought the first lot and the second lot was bought by Mr. Leung Man-kwong, of Universal Engineering Co. The lease is for the residue of a term of 21 years with the option of renewal for one further term of 18 years. The upset prices were $25,000 and the annual rental is $286.

During July-September, 8 areas of Crown land, including one site for a mechanical transport service and petrol filling station at King's Road, were sold by public auction. The total premia realised amounted to nearly $3,000,000. According to the Director of Public Works, the Hon. A. Inglis, a large area of Crown land at Chatham Road of about 15½ acres was offered for sale at public auction on August 11 at an upset price of $9,450,000, but no bids were forthcoming and the lot was withdrawn.

Drugs and Illicit Goods

Two seizures of dangerous drugs were made by Hongkong's Preventive Service during the routine search of some 30 ocean-going vessels during September. Two aircraft were also searched. Altogether 111 lbs. of raw opium, four ounces of barbitone and four fluid ounces of opium water were seized during the month. The raw opium, packed in a suitcase and a blue travelling bag, was located in a cabin of a large ocean-going vessel. Two Indians and a Chinese were arrested and charged with the offence.

A passenger disembarking from a Macao ferry was found carrying a cardboard box of barbitone disguised as sweetmeats. Two hundred carboys of acetic anhydride were seized at a wharf. The carboys were declared to contain acetic acid and were about to be exported.

Seizures of Chinese prepared tobacco amounted to 3,015.4 lbs. while seizures of foreign and local cigarettes totalled 1,015 lbs. Acting on information, a party of Revenue officers raided a private house and seized 1,660 lbs. of Chinese prepared tobacco, 266,000 dutiable cigarettes and five gallons of dutiable brandy. Three persons were arrested during the raid.

A village in the eastern area of the mainland was raided by a party of Revenue officers early in September, when they discovered 170 lbs. of dutiable tobacco concealed beneath bales of straw. None of the villagers came forward to claim the tobacco. A further seizure of Chinese prepared tobacco was made in a resettlement block in the Kowloon district where a Chinese male was caught repacking the tobacco into smaller packets. A total of 160 lbs. was seized.

Pressure was also kept up on illicit distillers during the month; 108 stills were discovered and a total of 4,718 gallons of mash was destroyed. Seizures of dutiable Chinese liquor totalled 327.1 gallons. Of this figure, 17 gallons were seized on a beach in the eastern approaches to Hongkong. During a routine search of the area, a Preventive Service patrol observed a sampan approaching the beach. Owing to lack of cover, the approach of the Revenue party was seen and the smugglers carried out a successful retreat.

Institution for Drug Addicts

A special institution for the reception and treatment of convicted drug addicts is to be set up at Tai Lam, in the New Territories. This institution, which will be known as H. M. Prison, Tai Lam, will be situated in converted quarters formerly occupied by workers and engineers engaged on building the Tai Lam Chung dam. It will have a capacity of up to 1,000 inmates. A full programme of rehabilitative training will gradually be introduced to be followed by after-care supervision on discharge. All prisoners who have been sentenced for drug offences are at present received and classified at Victoria Prison.

There will be three sections at the Tai Lam Prison. The first will be a deprivation wing where prisoners will spend the first week or two if they are suffering from the severe deprivation symptoms which follow heavy addiction. The second will be a light labour section in which prisoners will be usefully employed as soon as they are able, and in which their moral and physical resistance to drugs will be built up. And in the third section the prisoners will be engaged in healthy open-air tasks.

There will be a system of after-care for the prisoner after his release and every effort will be made to prevent a relapse into drug-taking. The connection between drug addition and crime is very close and it is hoped by the establishment of this institution at Tai Lam to make a concerted attack on one of the Colony's gravest and most urgent social problems.

Public Works

New Piers—Work will begin soon on the construction of three public piers on outlying islands to provide easy access by sea from Hongkong Island. The first of these piers will be built on Cheung Chau Island to replace the existing ferry pier, which will be demolished when the new pier is ready for use in about a year's time. This new pier, to be constructed of reinforced concrete, will have a frontage of 42 feet and extend about 143 feet into the sea. At the same time, the praya wall will be realigned by reclaiming a portion of the foreshore and seabed fronting Hoi Pong Street. The new reclamation will be formed by the construction of a rubble mound, 212 feet in length, to retain 6,360 square feet of land. The other two piers will be sited on Tsing Yi Island, opposite Tsuen Wan, and at So Kwu Wan, on South Lamma Island. Both will have an approach causeway. The construction work on these piers will take about six months to complete. The new pier at Tsing Yi will extend 111 feet into the sea. It will have a frontage of 81 feet and occupy about 3,590 square feet of Crown foreshore and seabed. The So Kwu Wan Pier will have a frontage of 44 feet and a length of some 210 feet and occupy an area of some 9,680 square feet of Crown foreshore and seabed.

New Primary School—A five-storey primary school, with 24 classrooms accommodating 1,080 pupils in each of two daily sessions, is to be built by Government in the Shek Kip Mei Resettlement Estate. The new school will also have three practical rooms and a roof playing area. Adjacent to the entrance on the ground floor there will be a combined assembly area and covered playground, including a stage. Construction work is expected to start in January next year and take six months to complete.

New Service Reservoir—A new service reservoir is to be built in the New Territories near the 17th Milestone, Castle Peak Road. It will cope with existing demands as well as with the future development along this road between Cedric Bridge and San Hui. The new service reservoir, with a capacity of one million gallons, will be sited above the Tai Lam Chung pressure filters and will supply filtered water through an eight-inch main. Work is expected to begin in about two months' time and will take about ten months to complete.

New Magistracy Building—An impressive six-storey building, to be known as the North Kowloon Magistracy, is to be built by Government in Tai Po Road, just north of its junction with Castle Peak Road. Designed by Palmer and Turner, the building will provide accommodation for four magistrates' courts. There will be office accommodation on the fourth floor for the District Commissioner New Territories and on the fifth floor for the Agriculture, Fisheries and Forestry Department. The whole building will be air-conditioned and there will be separate entrances for magistrates and those using the offices on the upper floors. Construction work is expected to start early next year and the magistracy is hoped to be ready for use towards the end of 1960.

Carriageway at Yuen Long—Work will begin in about a month's time on extending the dual carriageway at the market town of Yuen Long, in the New Territories. The road is to be extended for a further 700 feet at the eastern end. The extension will be in the form of two carriageways, each 22 feet wide, separated by a six-foot wide centre strip. On either side, dividing the carriageway from the concrete pavement, there will be a cycle track, six feet in width, running parallel with a five-foot verge. These cycle tracks, laid in tar macadam, will be the first of their kind to be constructed in the Colony and it is hoped that eventually this form of dual carriageway, with minor variations, will be carried through the full length of Castle Peak Road to Kowloon.

Submarine Sewer Outfall—With the object of eliminating offensive smells, Government is to construct a submarine sewer outfall off Gloucester Road, Wan Chai, for the disposal of sewage. The submarine sewer outfall will collect sewage from the whole of the Wan Chai area and discharge it into the tidal current which will carry the sewage into the open sea. The reinforced concrete sewer, about 1,200 feet long, will be laid in a dredged trench below the existing seabed.

Reclamation Projects—Five reclamation projects, to provide a new land from the sea for development purposes, are now in progress. Work is continuing on the building of three seawalls—at Hung Hom, Tsuen Wan and at the Central Reclamation. Construction of the seawall for the third stage of the Central Reclamation project is well advanced and the scheme is expected to be completed by May next year. At Kwun Tong, the formation of the second and third housing zones is continuing and a further 86,000 square feet of reclamation are being formed by the dumping of soil. Work is nearing completion on the construction of the seawall and rubble mound at Hung Hom. This work, which constitutes the third stage of the Hung Hom reclamation, is expected to be finished by the end of this year. At Tsuen Wan, work has started on building a further 2,718 feet of seawall to provide land for two industrial zones and one housing zone. Work on the seawall is expected to extend into the middle of next year.

HONGKONG SHIPPING STATISTICS

August 1958

Flag	Vessel				Cargo	
	Arrival		Departure		Import	Export
	No.	Tonnage	No.	Tonnage	(ton)	(ton)
British	260	496,636	254	476,860	136,337	38,482
Cambodian	1	557	1	557	—	300
Chinese	35	12,749	35	13,178	15,541	2,765
Danish	19	69,259	19	69,259	25,269	4,900
Dutch	30	122,342	26	111,974	20,504	12,690
French	7	33,574	8	35,227	1,198	2,995
German	6	28,519	6	28,519	4,228	2,219
Italian	3	14,055	3	14,055	1,119	547
Japanese	63	203,148	61	199,211	35,803	27,593
Korean	5	10,734	4	8,567	5,519	2,350
Liberian	3	6,368	3	6,368	897	1,700
Norwegian	35	102,801	36	105,573	35,556	13,396
Panamanian	12	25,945	12	22,356	4,951	7,300
Philippine	3	8,807	2	8,654	108	205
Polish	1	3,671	1	3,671	597	—
Swedish	10	34,260	10	34,260	9,321	1,983
U. S. A.	22	117,398	22	117,398	8,471	6,169
Yugoslavian	1	3,270	1	3,270	—	200
Total	**516**	**1,294,093**	**504**	**1,258,957**	**305,419**	**125,794**

HONGKONG AIR TRAFFIC

August 1958

Regions	Departure			Arrival		
	Passenger	Freight (kilos)	Mail (kilos)	Passenger	Freight (kilos)	Mail (kilos)
Australia	316	6,772	853	226	1,751	504
Thailand	1,661	16,176	836	1,721	5,287	2,126
Borneo	128	5,473	221	120	412	43
Burma	158	6,188	801	148	1,526	201
Cambodia	285	1,673	144	157	180	286
Canada	289	758	755	58	1,038	454
Europe	220	8,876	2,134	162	4,733	2,972
Taiwan	794	50,416	1,446	910	4,469	1,915
Guam	—	3,341	33	—	77	7
Honolulu	90	600	328	66	520	99
India	318	3,464	621	271	2,268	1,424
Indonesia	—	75	538	—	—	—
Japan	2,577	7,751	1,612	2,201	13,414	6,421
Laos	99	40,148	97	130	863	63
Macao	—	2,033	—	—	—	—
Malaya	53	378	413	54	63	—
Middle East	153	1,296	477	128	342	42
New Zealand	—	—	163	—	—	—
Okinawa	213	7,721	84	118	424	48
Pakistan	59	2,242	940	81	115	254
Philippines	2,043	29,226	828	2,179	4,641	1,217
Singapore	628	8,361	1,408	698	4,032	3,612
South America	64	1,426	4	7	17	19
South Korea	133	2,563	337	225	2,540	580
United Kingdom	358	16,492	2,387	475	9,310	3,838
United States	71	5,713	4,119	67	1,917	3,407
Vietnam	311	4,189	307	397	379	372
Wake Island	—	54	—	—	—	—
Ceylon	14	291	206	20	190	100
Unknown	—	—	—	6	—	—
Africa	—	—	953	—	—	83
Total	**11,035**	**233,696**	**23,045**	**10,625**	**60,508**	**30,087**
Direct Transit	1,312	36,555	—	1,312	36,555	—

Total Aircraft Departures=415. Total Aircraft Arrivals=414.

A New Water Population of Hongkong

By Lo Ka Cheung

By the water population of Hongkong, I do not mean the fishing community or those who make their living on the sea; I mean those who live in wooden boats propped up along the shore or simply beached. The occupants are not what they were before removing there for then they were cubicle-occupiers with little expectation to change for a life or water. But, due to poverty and the frequent dismantling of old buildings to make way for the new, land-lubbers have to turn their eyes to the water area for a cheaper place of dwelling. The factor that causes the rapid growth of this sub-division of the Colony's population during recent years is mainly economical, and it is from this factor that its growth has been so rapid.

Of course there is nothing to feel envy of in the way of their new environment and their new homes which consist of only crumbling or discarded old wooden boats in places filled with filth and nastily polluted. Such a community mostly gathers round the Shaukiwan area, along some bays in Hongkong and the Typhoon Shelter in Kowloon. For the most part, they were former land-livers forced by circumstances to make this change, and such circumstances have been fully exploited by speculators who bought up some old boats as are incapable of rendering further service as means of transport to be remodeled into a sort of apartments to let to the poor class. These boats were usually partitioned off into bedrooms or just bed spaces to hire at $30 and $10 respectively. An old lighter can often be divided into three or four separate rooms thus enabling the owner to collect a handsome profit with a meagre outlay and without paying rates and taxes except for a licence issued by the Harbour Office at 20 to 30 dollars.

According to estimates, there are as many of such boat-houses as ten thousand scattered along the coasts of both the Island and the Peninsular providing abodes for about one hundred thousand persons.

As to their ways of making a living, they take the form of manual labour or hawking petty daily articles. Only a small number find employment in dockyards as paint-scrapers or elsewhere as manual labourers. Such hand-to-mouth subsistence is precarious and seldom enough to support a whole family. The womenfolk and the older members have therefore to share the burden in the struggle for existence by hiring themselves to factories as work hands or sometimes by bringing home the raw materials to be transformed into the final product.

From their poor earning power, it is to be expected that their living standard must be very low. Their daily staple consists chiefly of rice or broken rice, salted fish and some greens or some left-overs bought from restaurants and begged from ships. Good, healthful food would be out of the question except during festive occasions when every family in the Colony goes in for a touch of extravagance.

Sanitation is a hopeless case with this poor multitude and whenever a member falls ill, the situation would be exasperating if not desperate.

Returning to the boat-houses themselves, they usually cluster about 30 to the group with those farther away having flimsy bridges for passage to shore. It is a most ticklish mode of travel but they never bother themselves about that for poverty must have made the accommodation to present circumstances their stamina to live on.

The bigger boat patrons mostly come from poor land-lubbers while those of the smaller ones are owners themselves. Some of the boats are so beyond repair that they are simply moved up on dry land and converted into huts to house one or two families. The hardship and misery they suffer are apparent. However, they live on passing their lives in such an environment year in and year out without a murmur. Not that they really feel contented but that that is the only way to hold on and nothing can be done about it.

One of the main problems of this water community is that of fresh water. They have to buy tickets before they can buy water from licensed waterboats and it is not easy to buy water even if one has had the tickets on hand from the few boats plying back and forth. They could get it from public hydrants on land; but think of the multitude queueing up and one would have to admit the arduousness that is back of it.

Notwithstanding their poverty and the wretched condition under which they forge ahead, they still constitute one of the economic factors of Hongkong in the form of cheap manpower contributing their humble share in the building up of this "Pearl of the Orient."

Inspite of this destitution, still thousands of Chinese illegally enter here. Are conditions in China so unfavourable that residence in Hongkong is so very much more preferable?

Hongkong's Principal Imports in 1957

PART VII

ITEM, UNIT & COUNTRY	QUANTITY	H.K.$
RUBBER TYRES, OTHER THAN MOTOR AND BICYCLE (No.)	488	135,402
U.K.	445	100,928
Canada	2	1,067
India	1	1,693
Malaya	18	16,441
Australia	4	3,560
U.S.A.	16	11,519
Japan	2	194
INNER TUBES FOR TYRES, MOTOR (No.)	25,959	406,483
U.K.	9,941	139,131
Canada	200	7,000
Malaya	164	2,078
Australia	33	460
U.S.A.	20	260
China	71	1,868
Japan	13,187	214,318
Macau	90	1,280
Belgium	4	75
France	1,331	30,092
Germany, W.	764	7,731
Netherlands	124	2,040
Sweden	30	150
INNER TUBES FOR TYRES, BICYCLE (No.)	183,931	343,221
U.K.	17,691	42,969
Malaya	4,750	19,920
China	10,200	18,409
Japan	135,600	238,138
Macau	200	200
Germany, W.	14,490	22,055
Sweden	1,000	1,530
INNER TUBES FOR TYRES, OTHER THAN MOTOR AND BICYCLE (No.)	166	4,689
U.K.	144	2,142
India	1	75
Malaya	11	1,079
Australia	10	1,393
VENEER SHEETS (Sq. ft.)	428,198	321,978
U.K.	89,536	75,089
Canada	94,252	160,311
Australia	71,667	29,004
Formosa	24,500	7,248
Thailand	56,907	13,419
Germany, W.	91,336	36,907
PLYWOOD, INCLUDING WOOD FACED WITH VENEER SHEETS (Sq. ft.)	13,412,891	4,032,541
U.K.	95,906	195,844
Malaya	138,000	17,400
U.S.A.	22,016	22,498
China	6,525,320	1,568,348
Formosa	686,929	254,851
Japan	5,838,257	1,932,929
Macau	83,020	14,549
Philippines	700	200
Thailand	4,224	2,991
Germany, W.	2,880	2,210
Netherlands	15,639	20,721
HARDBOARD (WALL BOARD), FIBRE (Sq. ft.)	14,100,468	2,387,840
U.K.	232,001	52,626
S. Africa	293,732	74,963
U.S.A.	63,077	88,978
Japan	3,669	1,800
Belgium	361,080	64,534
Germany, W.	46,323	36,600
Italy	205,216	34,001
Netherlands	23,760	4,300
Norway	526,124	100,184
Sweden	12,345,486	1,929,854
NEWSPRINT PAPER (Cwt.)	452,237	25,581,446
Canada	22,251	1,289,175
U.S.A.	9,995	592,147
China	124,410	6,259,446
Japan	56,894	2,985,575
Macau	80	4,381
Austria	43,767	2,581,954
Germany, W.	795	43,868
Norway	104,680	6,616,744
Sweden	3,965	234,972
Europe, E., n.e.s.	29,867	1,522,301
Europe, n.e.s.	55,533	3,450,883

ITEM, UNIT & COUNTRY	QUANTITY	H.K.$
PRINTING AND WRITING PAPERS IN ROLLS AND SHEETS OTHER THAN NEWSPRINT (Cwt.)	325,783	24,271,069
U.K.	12,556	1,851,605
Australia	21	2,290
U.S.A.	7,367	1,262,874
China	73,487	3,751,403
Japan	134,384	10,610,914
Macau	306	18,732
Austria	21,348	1,746,074
Czechoslovakia	1,095	88,103
Germany, W.	2,221	154,697
Italy	399	50,862
Netherlands	3,712	481,187
Norway	14,167	1,191,456
Sweden	12,092	1,199,023
Europe, E., n.e.s.	9,766	598,504
Europe, n.e.s.	32,862	1,263,345
COMMON PACKING AND WRAPPING PAPER (Cwt.)	253,586	23,548,499
U.K.	11,575	2,525,595
Canada	163	36,741
Malaya	315	27,940
U.S.A.	5,931	833,197
China	30,651	1,581,147
Japan	67,309	5,460,604
Macau	1,184	87,884
Austria	32,903	2,396,054
Belgium	1,247	242,956
Czechoslovakia	13,087	897,503
France	5,446	1,243,858
Germany, W.	2,945	419,795
Italy	7,457	2,114,157
Netherlands	1,090	98,025
Norway	3,358	274,954
Sweden	58,003	4,672,689
Europe, E., n.e.s.	446	35,169
Europe, n.e.s.	10,476	600,231
PAPER BOARD (CARDBOARD), INCLUDING CORRUGATED CARDBOARD, BUT NOT INCLUDING BUILDING BOARD (Cwt.)	247,388	15,123,119
U.K.	3,252	340,485
Malaya	23	2,696
U.S.A.	1,169	112,591
China	25,677	692,131
Japan	49,798	2,827,138
Macau	349	10,220
Austria	305	25,668
Czechoslovakia	16,410	1,005,987
Germany, W.	1,289	71,840
Italy	200	15,490
Netherlands	7,095	628,006
Norway	45,380	2,665,371
Sweden	89,194	6,261,295
Europe, E., n.e.s.	2,073	124,949
Europe, n.e.s.	5,174	339,252
PAPER AND CARDBOARD, BITUMINIZED OR ASPHALTED, INCLUDING REINFORCED AND COATED WITH GRAPHITE IN IMITATION OF SLATE (Cwt.)	2,012	223,208
U.K.	431	92,612
Japan	423	29,594
Sweden	1,058	92,790
Europe, n.e.s.	100	8,212
PAPER AND PAPER BOARD, COATED, IMPREGNATED, VULCANIZED, ETC., OTHER THAN BITUMINIZED OR ASPHALTED (Cwt.)	31,430	3,550,235
U.K.	1,510	199,842
U.S.A.	3,071	551,636
China	9,902	813,792
Japan	1,428	131,119
Macau	85	7,272
Austria	505	57,723
Belgium	485	67,292
Germany, W.	303	58,607
Italy	264	44,100
Netherlands	372	47,381
Norway	3,977	458,272
Sweden	6,851	775,926
Europe, E., n.e.s.,	260	29,214
Europe, n.e.s.	2,417	308,059
CIGARETTE PAPER (Cwt.)	2,737	487,089
U.K.	791	126,194
India	634	183,471
Malaya	86	20,640
Japan	1,138	139,259
Macau	88	17,525
BLOTTING PAPER AND FILTER PAPER (lb.)	79,742	112,201
U.K.	48,590	82,112
Australia	3,990	4,123
U.S.A.	637	2,551
Japan	6,877	5,990
Czechoslovakia	6,600	5,100
Germany, W.	3,304	3,008
Italy	9,744	9,317
STRAWBOARD, PLAIN (Lb.)	21,904,618	4,627,667
Malaya	6,720	2,100
China	7,754,903	1,588,762
Formosa	3,596,880	558,633
Japan	6,886,800	1,639,326
Macau	122,775	32,410
Netherlands	3,536,540	806,436
PAPER AND PAPERBOARD, N.E.S. (Lb.)	16,176,568	14,829,462
U.K.	108,436	290,635
U.S.A.	13,730	37,471
China	12,345,745	10,893,432
Formosa	572,798	172,785
Japan	603,970	396,945
Macau	712,805	333,410
Austria	456,748	700,798
Belgium	17,252	28,546
Czechoslovakia	22,220	18.038
France	119,890	611,897
Germany, W.	543,847	805,553
Italy	111,635	142.388
Netherlands	352,605	175,106
Norway	55,256	63,621
Sweden	33,632	30,762
Europe, E. n.e.s.	105,999	128,075
YARNS, WHOLLY OF WOOL OR FINE HAIR (Lb.)	2,189,885	23,671,921
U.K.	827,835	8,169,604
U.S.A.	14,838	205,516
South America, n.e.s.	5,000	45,113
China	7,630	118,969
Japan	1,315,029	14,898,165
Belgium	142	1,669
France	10,000	112,000
Netherlands	9,411	120,885
YARNS OF WOOL OR FINE HAIR MIXED WITH OTHER MATERIALS (Lb.)	352,716	2,882,254
U.K.	34,364	289,555
Malaya	20,000	137,000
U.S.A.	1,500	19,000
Japan	296,852	2,436,699
YARNS OF WOOL OR HAIR, PUT UP FOR RETAIL SALE (FOR KNITTING, DARNING AND EMBROIDERY) (Lb.)	877,565	10,840,131
U.K.	284,798	4,587,854
Canada	500	15,600
Australia	3,709	74,273
U.S.A.	11,225	176,656
Japan	536,420	5,370,475
Macau	597	9,047
Belgium	399	6,044
France	1,200	19,978
Germany, W.	5,274	125,515
Italy	485	13,552
Netherlands	32,958	441,137
COTTON YARN AND THREAD, GREY, UP TO AND INCLUDING 10S COUNT (Lb.)	7,581,616	14,993,937
India	1,596,800	3,009,440
Pakistan	5,844,816	11,676,147
China	60,000	144,000
Korea, S.	80,000	164,350
COTTON YARN AND THREAD, GREY, OVER 10S, BUT NOT OVER 20S COUNT (Lb.)	21,156,077	46,553,031
India	2,324,400	5,377,543
Pakistan	15,996,977	34,416,067
China	504,000	1,285,114
Korea, S.	2,320,000	5,445,230
Macau	700	1,800
Italy	10,000	27,277
COTTON YARN AND THREAD, GREY, OVER 20S, BUT NOT OVER 32S COUNT (Lb.)	6,756,799	17,582,239
India	945,200	2,521,691
Pakistan	4,984,799	12,200,766
China	120,000	384,600
Japan	566,800	1,991,479
Korea, S.	60,000	171,870
Italy	80,000	311,833
COTTON YARN AND THREAD, GREY, OVER 32S, BUT NOT OVER 42S COUNT (Lb.)	3,294,105	13,199,207
U.K.	16,586	160,337
India	37,200	112,411
Malaya	110,000	429,000
Pakistan	50,399	151,800
China	368,520	1,403,906
Japan	2,711,400	10,941,753
COTTON YARN AND THREAD, GREY, OVER 42S, BUT NOT OVER 60S COUNT (Lb.)	279,919	1,891,390
U.K.	73,219	664,323
Japan	206,700	1,227,067
COTTON YARN AND THREAD, GREY, OVER 60S COUNT (Lb.)	235,722	2,339,694
U.K.	214,622	2,133,074
Japan	21,100	206,620
COTTON YARN AND THREAD, BLEACHED, MERCERIZED, OR DYED, OVER 10S, BUT NOT OVER 20S COUNT (Lb.)	5,034	32,824
U.S.A.	5,034	32,824
COTTON YARN AND THREAD, BLEACHED, MERCERIZED, OR DYED, OVER 20S, BUT NOT OVER 32S COUNT (Lb.)	3,451	27,440
U.K.	3,451	27,440
COTTON YARN AND THREAD, BLEACHED, MERCERIZED, OR DYED, OVER 32S COUNT (Lb.)	48,270	448,582
U.K.	19,170	199,954
Japan	29,100	248,628
COTTON YARN AND THREAD PUT UP FOR RETAIL SALE (SEWING, KNITTING, ETC.) (Lb)	858,429	8,510,103
U.K.	123,005	2,348,032
Malaya	497	11,612
U.S.A.	8,702	85,118
China	63,309	400,121
Japan	401,955	2,128,980
Macau	2,885	16,605
Belgium	980	11,084
France	67,565	1,201,982
Germany, W.	1,620	28,608
Italy	56,883	479,500
Netherlands	95	713
Switzerland	128,800	1,776,380
Europe, n.e.s.	2,133	21,368
YARN AND THREAD OF FLAX, HEMP AND RAMIE (Lb.)	10,135	80,512
U.K.	5,699	45,727
Japan	600	5,410
Belgium	22	125
Germany, W.	3,814	29,250
RAYON YARN (Lb.)	3,333,471	9,968,561
U.K.	340,889	905,714
Formosa	7,400	20,610
Japan	2,065,790	6,185,012
Belgium	21,758	61,727
France	222,456	637,241
Germany, W.	4,334	14,735
Italy	670,629	2,142,900
Europe, E. n.e.s.	215	622
NYLON YARN (Lb.)	1,459,797	20,517,487
U.K.	22,086	365,766
Canada	29,987	423,530
U.S.A.	402,094	6,862,824
Japan	382,539	5,770,446
Macau	2,000	29,065
France	12,195	178,184
Germany W.	584,781	6,616,132
Italy	2,948	51,502
Netherlands	16,844	163,601
Switzerland	40	465
Europe, E. n.e.s.	4,283	55,972

FINANCE & COMMERCE

LAST WEEK'S SELLING RATES OF LOCAL EXCHANGE DEALERS

Country	Currency	Denomination	In HK$	In US$
U.S.A.	Dollar	5-100	5.79	—
Australia	Pound	5 and 10	12.70	2.195
Britain	Pound	1 and 5	16.15	2.792
Burma	Kyat	10-100	0.54	0.093
Cambodia	Rial	all	0.077	0.01331
Canada	Dollar	5-100	5.93	1.025
Ceylon	Rupee	5-100	0.95	0.164
France	Franc	all	0.01275	0.002204
Hongkong	Dollar	all	—	0.17301
India	Rupee	all	1.185	0.205
Indonesia	Rupiah	all	0.067	0.01158
Japan	Yen	100-5000	0.015	0.002593
Macao	Pataca	all	1.01	0.174
New Zealand	Pound	1-10	13.95	2.411
Pakistan	Rupee	100	0.82	0.142
Philippines	Peso	5-100	1.74	0.301
Singapore	Dollar	5-100	1.85	0.32
South Africa	Pound	all	15.80	2.731
Switzerland	Franc	all	1.36	0.235
Taiwan	Dollar	5 and 10	0.134	0.02316
Thailand	Baht	10-100	0.273	0.04719
South Vietnam	Piastre	all	0.073	0.01262

HONGKONG EXCHANGE MARKETS

Date	U. S. $ T.T. High	T.T. Low	Notes High	Notes Low
27/10	$580½	580⅛	579½	579
28/10	580¼	579¾	579⅛	578¾
29/10	580	579¾	579¼	579
30/10	580	579⅝	579¼	578¼
31/10	579⅞	579¾	578½	578
1/11	579¾	579½	578⅜	577¾

D.D. rates: High 579¼ Low 578¼.

Highest and lowest rates in October, 1958: T.T., 582¾—579⅝; Notes, 580⅞—578.

Trading totals last week: T.T. US$3,490,000; Notes cash US$405,000, forward US$1,410,000; D.D. US$310,000. The market was very quiet. In the T.T. sector, funds from South East Asia were abundant. In the Notes market, speculative activity was quiet; Peking agents had ceased buying. Interest for change over favoured sellers and aggregated HK$2.00 per US$1,000. Positions taken by speculators averaged US$1¼ million per day. In the D.D. sector, the market continued quiet.

Far Eastern Exchange—Highest and lowest rates per foreign currency unit in HK$: Philippines 1.70—1.665, Japan 0.014625—0.014525, Malaya 1.885—1.882, South Vietnam 0.0709—0.07, Laos 0.072, Cambodia 0.075—0.072, Thailand 0.276—0.275, Indonesia 0.0606—0.06. Sales: Pesos 310,000, Yen 72 million, Malayan $330,000, Piastre 9 million, Kip 7 million, Rial 6 million, Baht 3 million, Rupiah 250,000.

Chinese Exchange: Official rates of People's Yuan unchanged at 6.839 per Pound Sterling, 0.427 per HK$, 0.805 per Malayan $, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US$; cash notes quoted $0.68—0.64 per Yuan. Selling and buying rates of Taiwan Dollar remained officially at 24.78 plus 11.60 and 24.58 plus 11.50 per US$, 4.34 plus 2.03 and 4.30 plus 2.01 per HK$, 590.00 plus 276.19 and 585.24 plus 273.81 per 10,000 French Francs, and 69.38 plus 32.48 and 68.82 plus 32.20 per Pound Sterling; cash notes quoted $0.129 per Dollar and remittances, 0.127—0.126.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 16.08—16.07, Scotland 14.80, Ireland 13.50, Australia 12.60—12.57, New Zealand 13.84—13.82, Egypt 10.05, East Africa 15.15, South Africa 15.75—15.73, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1774, Pakistan 0.80, Ceylon 0.895—0.89, Burma 0.52, Malaya 1.849—1.836, Canada 5.925—5.8875, Cuba 5.00, Argentina 0.12, Brazil 0.035, Peru 0.24, Mexico 0.40, Philippines 1.72—1.705, Switzerland 1.345, West Germany 1.365, Italy 0.00905, Belgium 0.107, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.01265—0.0125, South Vietnam 0.0725—0.071, Laos 0.069—0.068, Cambodia 0.076—0.071, New Guinea 1.00, Indonesia 0.063—0.06, Thailand 0.271—0.268, Macao 0.998—0.995, Japan 0.015—0.014825.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK$: England 16.2025—16.1006, Australia 13.0169—12.7575, New Zealand 16.237—15.868, United States 5.7971—5.7143, Canada 5.9925—5.904, India 1.2158—1.2048, Pakistan 1.2176—1.2039, Ceylon 1.2214—1.2066, Burma 1.2158—1.2048, Malaya 1.8935—1.8757. Selling per foreign currency unit in HK$: South Africa 16.237, Switzerland 1.3311, Belgium 0.1171, West Germany 1.3913.

Gold Market

Date	High .945	Low .945	Macao .99
27/10	$252¾	252⅜	263¾ High
28/10	252½	252¼	
29/10	252½	252¼	
30/10	252⅜	252	Low 262¼
31/10	252¼	252	
1/11	252¼	252	

Opening and closing prices were 252⅝ and 252⅛, and the highest and lowest 252¾ and 252. Highest and lowest prices for October, 1958 were 254 and 252. The market last week was deadly quiet; there was almost no speculative activity while exports reduced. Interest favoured sellers and aggregated 65 HK cents per 10 taels of .945 fine. Tradings averaged 5,200 taels per day and amounted to 31,200 taels for the week, in which 13,580 taels were cash transactions (4,380 taels listed and 9,200 taels arranged). Imports from Macao totalled 8,500 taels. One shipment of 24,000 fine ounces arrived Macao in the week. Exports amounted to 5,500 taels (4,000 taels to Singapore and 1,500 taels to India). Differences paid for local and Macao .99 fine were HK$12.50—12.30 and 11.20 respectively per tael of .945 fine. Cross rates were US$38.05—38.04 per fine ounce, and 16,000 fine ounces were contracted at 38.04 cif Macao. United States double eagle old and new coins quoted at $265 and 239 respectively per coin, English Sovereigns $59 per coin, and Mexican gold coins $271 per coin.

Silver Market: 400 taels of bar silver traded at $5.95—5.90 per tael, and 400 dollar coins at $3.77—3.76 per coin. Twenty-cent silver coins quoted $2.90—2.88 per five coins.

HONGKONG SHARE MARKET

Last week's market was more active than during the preceding week. Interest was centred on Banks, Wheelocks, Providents, Lands, Hotels, Stores and Utilities. The turnover on Monday amounted to $451,000; Tuesday, $340,000; Wednesday, $400,000; Thursday, $618,000; and Friday, $396,000.

If the tension over the Formosa Straits does not mount trading in the local stock market will continue to improve because dividends for shares such as Hongkong

Banks, Docks, Lands, Hotels and Lights will soon be announced. Many investors are already starting to absorb these shares in anticipation of same dividends as last year.

Wheelocks, Providents, Trams, Electrics and Telephones are also attracting a large number of buyers. Electric and Telephone rights are particularly popular; buyers are quickly taking up all available offers.

The undertone of the market at the close on Friday was much firmer than the preceding Friday. Prices of many shares, however, were still at a very low level.

CLOSING RATES ON OCTOBER 31, 1958

H.K. Govt. Loans

3½% Loan (1934), 93½ nom.
3½% Loan (1940), 89 nom.
3½% Loan (1948), 83 nom.

Banks

H.K. & S. Bank, 745 b; 752½ s; 747½ sa.
H.K. & S. Bank (Lon. Reg.), £42 nom.
Bank of East Asia, 280 b.

Insurances

Union Ins., 71½ b.
Lombard Ins., 26 b.
China Underwriters, 7¾ nom.

Investment Companies

Allied Investors, 4 b; 4.10 s.
Int'l Investment, 5 b.
H.K. & F.E. Invest, 9.10 b; 9½ s.

Shipping

Douglas, 380 nom.
Indo China (Pref.), 12 nom.
Indo China (Def.), 29 nom.
U. Waterboat, 20.20 nom.
Asia Nav., 1.275 b.
Wheelock, Ex. Div., 5.45 b; 5.55 s; 5½ sa.

Docks, Wharves & Godowns

H.K. & K. Wharf, 93 b; 96 s.
Sh. Hongkew Wharf, 1.20 nom.
H.K. Dock, 43½ b; 44½ s.
China Provident, 11.40 b; 11.60 s; 11.40 sa.
S'hai Dockyards, 78c b.

Mining

H.K. Mines, 2c nom.

Lands, Hotels & Bldgs.

H. & S. Hotels, 21.30 b; 21½ s; 21.40 sa.
H.K. Land, 30¼ b; 30½ s; 30¼ sa.
A/Fr. Land, 35c nom.
S'hai Land, 58c nom.
Humphreys, 14½ b.
H.K. Realty, 1.40 s.
Chinese Estates, 350 nom.

Public Utilities

H.K. Tramways, 25.20 b.
Peak Trams (F. Pd.), 68 nom.
Peak Trams (Partly Pd.), 35 nom.
Star Ferry, 106 b; 110 s.
Yaumati Ferry, 90 b; 91 s; 90½ sa.
China Light, 17.60 b; 17.70 s; 17.60/.70 sa.
H.K. Electric, 24.80 b; 25 s; 25/24.90/25.- sa.
H.K. Electric (Rights), 13.40 b; 13.60 s; 13½ sa.
Macao Electric, 9.10 nom.
Sandakan Light, 7½ nom.

H.K. Telephone, 23.90 b; 24.10 s; 24/24.10 sa.
H.K. Telephone (Rights), 7.30 b; 7.35 s.
Shanghai Gas, 1 b.

Industrials

G.I. Cement, 22.80 b.
H.K. Rope, 13½ nom.
Metal Industries, 95c nom.
Amoy Canning (H.K.), 40 nom.

Stores

Dairy Farm, 15.40 b; 15.60 s; 15½ sa.
Watson, 11.20 b; 11½ s.
L. Crawford, 12.80 b.
Cald. Macg. (Ord.), 32 nom.
Sincere, 3 s.
China Emporium, 8½ nom.
Sun Co., Ltd., 1.10 nom.
Kwong Sang Hong, 151 nom.
Wing On (H.K.), 75 b.

Miscellaneous

China Entertainment, 17.80 b.
International Films, 21c nom.
H.K. Construction, 6 nom.
Vibro Piling, 15 nom.
Marsman Investments, 6s nom.
Marsman (H.K.), 30s nom.

Cottons

Textile Corp., 4.05 s.
Nanyang Mill, 7¼ nom.

Rubber Companies

Amal. Rubber, Ex. Div., 1.60 b; 1.65 s.
Ayer Tawah, 2.275 b.
Java-Consolidated Estates, 20c nom.
Langkat, 1¼ b.
Rubber Trust, 1.60 b.
Shanghai Kelantan, 82c s.
Shanghai Sumatra, 2 nom.
Sungala, 2 b.

Share	Oct. 24	Last Week's Rate			Up & Down		Dividend	Estimated Yield (%)
		Highest	Lowest	Closing				
HK Bank	750	750	747.50	747.50		—$2.50	$45	6.02
Union Ins	71.50	71.50	71b	71.50b	steady		$3.40	4.76
Lombard	26	26	25.60b	26b	steady		$2	7.69
Wheelock	5.80	5.90	5.80	XD 5.50	firm		75¢	13.64
Int Inv	5.05b	5.10	5	5b		—5¢	65¢	13.00
Allied Inv	4.05b	4.10	4b	4b		—5¢	25¢	6.25
HK & FE Inv	9.50s	9.50s	9.10s	9.50s	steady		80¢	8.42
HK Wharf	96s	96s	94	96s	steady		$9	9.38
HK Dock	44.50s	44.50s	43.75	44.50s	steady		$2	4.49
Provident	11.30s	11.40	11.30	11.40	+10¢		$1	8.77
HK Land	30.25	30.25	30.25	30.25	firm		$2.40	7.93
Realty	1.375n	1.425s	1.375n	1.40s	steady		15¢	10.71
Hotel	21b	21.50	21.20	21.40	+40¢		$1.50	7.01
Star Ferry	107	109s	106b	110s	steady		$9	8.18
Yaumati	93	92	90.50	90.50		—$2.50	$7.50	8.29
Tram	24.90	25.10	24.80	25.10	+20¢		$1.90	7.57
Light	17.30	17.70	17.20	17.70	+40¢		$1.30	7.34
Electric	24.60	25	24.50	25	+40¢		$1.90	7.60
Telephone	23.80	24.10	23.80	24.10	+30¢		$1.50	6.22
Cement	23	23s	22.80	22.80b		—20¢	$3	13.16
Dairy Farm	15.60	15.60	15.50	15.50		—10¢	$1.775	11.83
Watson	11.40s	11.50s	11b	11.50s	+10¢		$1	8.70
Amal Rubber	XD 1.525	XD 1.60	XD 1.575	XD 1.60	+7½¢		20¢	12.50
Textile	4.10s	4.05n	4.05s	4.05s		—5¢	60¢	14.81
Nanyang	7.15b	7.25n	7.15b	7.25n	steady		$1.10	15.17

HONGKONG TRADE REPORTS

IMPORTS & EXPORTS

HK/China—Reports from Canton indicated that Hongkong businessmen bought a large variety of light industrial products from the Export Fair there. In addition to popular items such as paper, medicinal herbs, preserved and canned food, chemicals and woollen goods, Hongkong merchants ordered leather shoes and other leather goods, fountain pens, staple machine and other stationery chiefly for local consumption. Chinese pencils were offered to retailers at only HK$6.50 per gross.

On the other hand, local dealers did not buy much oils, oilseeds, cement, sugar and bricks from Canton either on account of limited supply or due to increased cost. Booking of cotton piecegoods from China also slowed down because local market appeared to be overstocked.

HK/UK—The counteroffer from Lancashire on the ceiling exports of Hongkong cotton goods to UK reached here last week. Details were not disclosed. According to London's Financial Times, the counterproposal envisaged a flat rate for the three-year period rather than progressively rising ceilings. Textile manufacturers here are opposing any further concessions to Lancashire. They consider the ceiling presented to the British Cotton Board delegation on October 9th as final.

Politicians in UK, however, consider Lancashire's new offer very "generous" and an agreement based on it will be in the best interests of the Hongkong industry. A number of MPs in London are also urging the British Government to increase pressure on Hongkong and to make it clear that the Government will intervene if Hongkong negotiators are "not reasonable." The Hongkong Branch of the Commonwealth Parliamentary Association should have invited more MPs to join the five parliamentarians now in Hongkong to see for themselves various problems of Hongkong.

HK/Europe—The French Government decided to reduce imports of HK cotton goods into France and French territories to half the value of 1957 imports. This decision will affect HK exports to French West Africa more than exports to France. Trade with France at present is much lower than last year; both imports and exports are about 25 per cent less than in 1957. During the first 9 months this year, however, France accumulated a surplus of about $14 million in her trade with Hongkong. French manufacturers in Paris, Mohon, Charleville, Angers, Montauban and Niort are now promoting exports of building and construction equipment, metals, tools, ladies' wear, wines, provisions and electric appliances to Hongkong. Local dealers who might be interested in these items could get more details from Le Conseiller Commercial de France in Hongkong.

HK/US—Hongkong products constituted the major portion of about 4,000 tons of merchandise shipped from here to US last week. Principal items included cotton goods, hardwood and rattan furniture, plastics, torch and frozen prawns. According to local rubber footwear manufacturers, exports of rubber shoes to US have been seriously affected by the increased import duty there on this item.

US cotton garment manufacturers were clamouring for restrictions on imports of cotton garments from HK last weekend. It seems that French Government's decision to cut imports of cotton cloth from HK has touched off a chain reaction.

On the other hand, Mr. Harold B. Say, International Trade Adviser representing the Portland Chamber of Commerce, came here last week to invite local manufacturers to participate in the Oregon Centennial International Trade Fair to be held from June 10 to 24, 1959 at Portland, Oregon in order to promote exports to US. The Fair is expected to draw 50,000 visitors a day from all over America and many of them potential buyers and tourists for Hongkong, Mr. Say said. To encourage participation in the Fair and to promote future trade, the Trans-Pacific Freight Conference lines have agreed to charge half rates on shipments for the Fair. Goods will also be duty free if meant for exhibition only. According to the Fair's representative in Hongkong, Mr. Phillip Au, Chinese wooden furniture, chest, rattan chairs, baskets, textiles, blouses, rubber footwear, arts and crafts, brass and bronze articles are ideal for US markets.

HK/Thailand—Shipments of Hongkong manufactures and other consumer goods from here to Bangkok were maintained at a weekly average of about 3,000 tons. Bangkok importers bought more cotton yarn of 40 counts from here after authorities there had lifted import restrictions on this variety; 32 counts yarn is still under control. Demand for heavy cotton underwear and other winter goods also improved with the approach of cold weather.

It was rumoured that authorities in Bangkok might restrict direct trade between Thailand and China. Local exporters are therefore anticipating better demand from Thailand for metalware, paints, cotton goods and other consumer goods. Exports of Hongkong manufactures to Thailand during the first nine months this year are about 10 per cent less than during the corresponding period last year partly due to increased shipments of Chinese manufactured goods to Thai markets. Hongkong's total exports to Thailand are about 10 per cent higher than last year reflecting also increased volume of Chinese goods transhipped here to Thailand.

HK/Indonesia—Reports from Djakarta disclosed that Indonesian Government would station a trade commissioner in Hongkong to facilitate trading with this Colony. Indonesian trade commissioners will also be stationed in Singapore, Penang, Antwerp, Hamburg, Milan, Rijecka, Beirut and New York.

Exports from here to Indonesia remained at a low level because importers in Djakarta could not get sufficient foreign exchange to cover their purchases. Local spinning and weaving mills, however, anticipate some orders from Indonesia because Djakarta may soon get US$65 million worth of American agricultural surplus including $25 m worth of cotton to be spun in foreign countries under contract approved by US; Hongkong got a large number of similar orders from Djakarta last year.

HK/Malaya—Exports to Singapore and Malaya amounted to 10,000 tons last week; a record figure. Over 50 per cent of the tonnage consisted of Chinese goods such as cotton cloth, paper, metals and knitwear. Reexports from there to Indonesia and other territories remained very active.

According to reports from Singapore, Government there had imposed a temporary ban on the import of textiles of certain varieties from China following a complaint from Malaya that cheap Chinese textiles were harming the Malayan textile industry.

HK/Philippines—In spite of the allocation of more foreign exchange in Manila for essential imports and the reduction of deposits for L/Cs, Philippine importers bought only insignificant quantities of metals, cotton goods, beans and other essentials from here.

Philippine Finance Secretary last week declared that the Philippine Government was in a very critical financial condition. He indicated that the Government was not earning enough to cover all expenditure. Manila therefore cuts imports from Hongkong and other countries to a minimum volume. Manila reports also stated that large sums of pesos had been smuggled out of the Philippines to Hongkong. Consequently the value of the peso was forced down to a record low level here making imports from Hongkong too expensive for Philippine importers.

HK/Korea—There were some enquiries from Seoul for industrial chemicals, paper and other essentials but most orders fell through because counteroffers were too low to interest local dealers.

HK/Taiwan—Taiwan suspended shipments of citronella oil to Hongkong. Imports of sugar from Taiwan slowed down; local dealers have recently assumed a very conservative attitude on booking sugar from Taiwan because competition in the local market from Chinese mainland sugar has intensified to such an extent that the handling of Taiwan sugar is now almost profitless.

HK/Vietnam—Trade representatives from Haiphong began negotiations with local businessmen last week on the marketing of more staples in Hongkong. At present, Hongkong is netting an average surplus of $3 million every month in trade with North Vietnam.

HK/Burma—Exports to Rangoon improved to about 2,000 tons last week. There were indications that Rangoon importers might buy more supplies from Hongkong instead of from China in the future. Hongkong, however, would have to buy more rice from Burma.

HK/Africa—Shipments of Hongkong manufactures to African markets went mostly to West Africa, particularly to French West Africa. Cotton textiles constituted the major portion of the tonnage. Prospects of maintaining steady shipments of HK cotton goods to French West Africa are very gloomy because the French Government has decided to reduce the import of HK cotton goods into that territory. The French Ministry of Economic Affairs announced last week in Paris: "Imports of cotton goods from Hongkong on the West African market have shown an unusual increase causing concern among trade circles.....it has been decided that the measures suppressing import quotas for cotton goods from Hongkong would be suspended. This measure is accompanied by the fixing of a quota for import of Hongkong cotton goods equal to 50 per cent of the value of the 1957 imports."

COMMODITY MARKETS

Produce—The spot market was not very active because local dealers who went to Canton did not get as much oils, oilseeds and other popular staples as they had anticipated. Orders from Japan, Europe and other sources therefore covered only small quantities of a selective number of items including sesame, gallnut, cassia, castor seed, woodoil, feathers and menthol crystal. Burma continued to procure groundnut oil from the local market and Singapore bought some broad beans from here. Local food manufacturers absorbed beans of Chinese, American and SE Asian origins but the consumption was very small.

Metals—Local dealers reported that there were only small consignments of structural steels and base metals to Thailand, Philippines, Singapore and Burma last week. China enquired for galvanized iron sheets but most transactions fell through because buying counteroffers were not attractive to local dealers. Orders from China, however, covered some scrap metals, chiefly brass, copper and steel plate cuttings. Demand from Japan for scrap metals, on the other hand, declined because Japanese steel makers were importing this item direct from North Borneo and US at prices cheaper than Hongkong could offer.

Paper—The market was very quiet. Local paper merchants, however, ordered replenishments from Canton for local consumption. Items ordered included woodfree printing, newsprint, poster, manifold, mg cap, flint, glassine, straw board, mechanical printing and cigarette paper; quantities booked were kept as a trade secret.

Industrial Chemicals—Enquiries from Taiwan and Korea covered tartaric acid, sulphuric acid, lanoline, urea, gum arabic and copal, paraffin wax, formalin and barium sulphate. The volume of business concluded was small because importers in Taipei and Seoul wanted European, British and American goods which were short in supply here.

Pharmaceuticals—Bangkok merchants bought some phenacetin and saccharum lactose while local patent medicine manufacturers absorbed some sulfonamides and other fine chemicals. The market was otherwise quiet.

Cotton Yarn—Hongkong brands retained firm prices on steady local demand and orders from Thailand. Some mills were anticipating to process American cotton for Djakarta. Local spinners, however, do not look into the future with confidence because protectionists in Europe, UK, US and other markets are urging their governments to restrict imports of Hongkong cotton goods.

Cotton Piecegoods—The limit imposed by French authorities on imports of HK cotton goods into France and French territories to 50 per cent of the value of 1957 imports will particularly affect exports of HK cotton piecegoods to French West Africa. Local demand for cotton cloth will also decline if American garment makers succeed to restrict imports of HK cotton clothing. Exports of greys and other piecegoods to UK will soon be restricted while exports to SE Asia are facing intensified competition from Chinese products. Prospects are really gloomy for local weavers although at present most of them have enough orders on hand to keep their looms humming for the next three or four months

Rice—Heavy imports from China and lower indents from Bangkok depressed prices slightly in the local market. The market turned firm towards the end of the week after retailers began to absorb some of the stock from importers.

Wheat Flour—The market was quiet and prices weak; supply still exceeded demand.

Sugar—Chinese mainland sugar is slowly but steadily pushing Taiwan sugar out of the local market. Imports from Taiwan were still heavy last week but local dealers have recently curtailed bookings from Taipei on account of the mounting competition from Chinese sugar. Hongkong Taikoo products were also forced down by the bearish trend in the local market.

Cement—Local contractors provided very strong demand for Hongkong as well as imported brands. Local consumption will be kept at a maximum volume during the next few months by the numerous private and government building projects in the Colony.